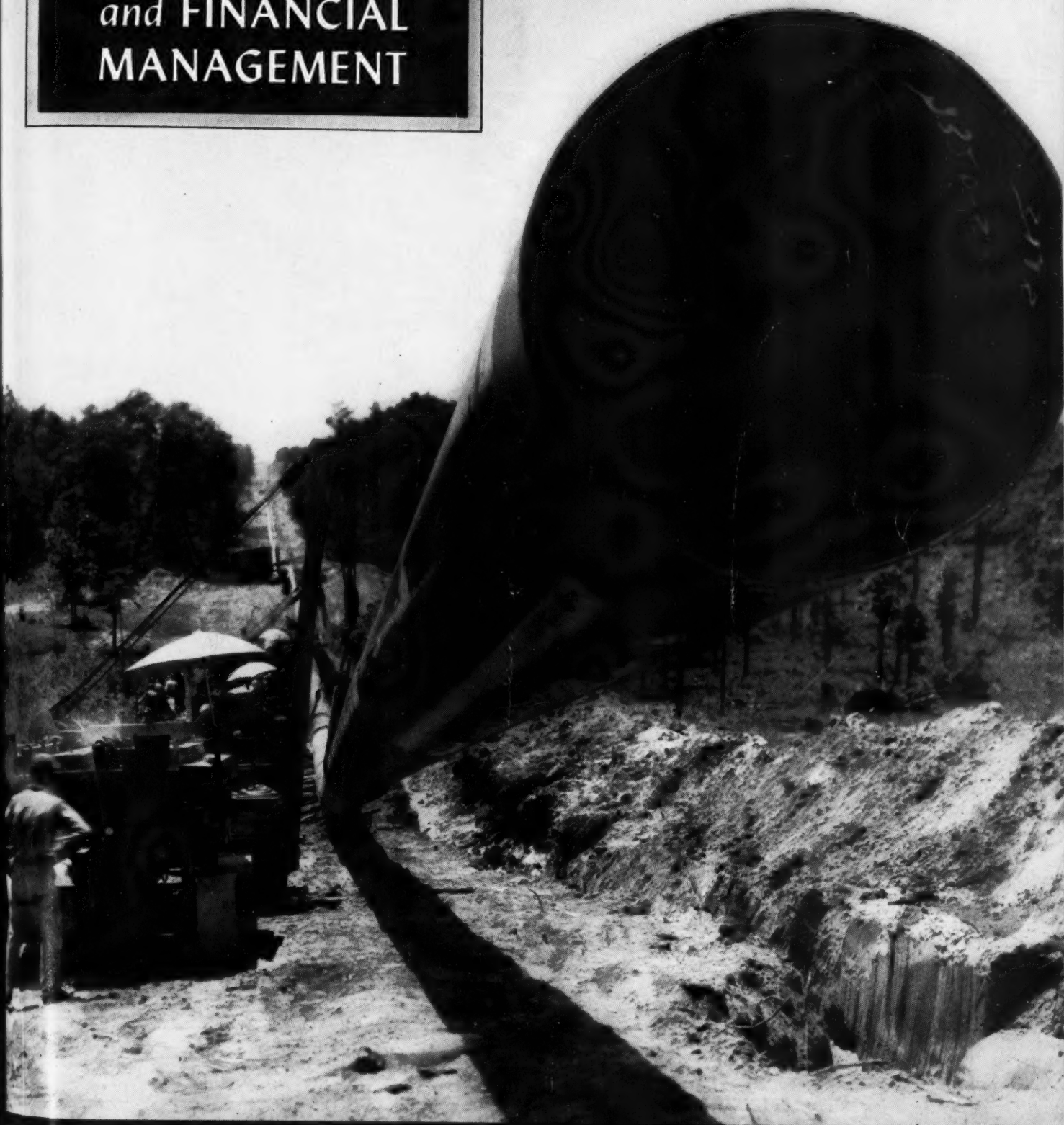


APR 25 1950

Credit

and FINANCIAL
MANAGEMENT



APRIL
1950

IT'S ALL A QUESTION! — First installment
of a series on credit analysis . . . Page 4

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MARCH 17, 1950

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BUSINESS CLASSIFICATION	HOW LONG SOLD	DATE OF LAST SALE	HIGHEST RECENT CREDIT	NOW OWING		PAST DUE	TERMS OF SALE	PAYING RECORD			COMMENTS
				INCLUDING NOTES				DIS- COUNTS	PAYS WHEN DUE	DAYS SLOW	
WESTERN PENNSYLVANIA											
224-207											
Ind S	yrs	2-50	759				30 & 60		x		
Hdwe	1946	2-50	1139	206			2-10-30		x	30	
Metal	yrs	1-50	1700	937	209		1-10-30		x	15	
CENTRAL & S.W. OHIO											
224-207											
I&S	yrs	2-50	14000	7403			2-10 Px	x			
DETROIT											
227-416											
Ind S	yrs	1-50	221				2-15 Px	x			
CLEVELAND											
227-524											
Metal	yrs	2-50	1413	833	116		2-10-30	x		30	
WHEELING											
228-273											
I&S	1-42	2-50	1038	1038			2-10-30	x	x		
GRAND RAPIDS											
228-126											
Furn	1943	2-50	1144	268			30		x		
Metal	yrs	12-49	214				1-10-60		x		

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THE HOUSE ON THE MOUND

HOME OF COL. H. L. DOUSMAN *Wisconsin Pioneer*



THE prehistoric race of mound builders were perhaps the first of the long procession of men—explorers, soldiers, fur traders, missionaries, adventurers—who knew the site of Prairie du Chien. On one of the mound builders' strange earthworks, subsequently used as a tribal burying ground by the Fox Indians, American troops erected a crude stockade to protect their interests in the remote Northwest Territory during the War of 1812. It was called Fort Shelby and here in June, 1814 the American flag was raised for the first time "over any building in what is now Wisconsin." Captured by the British and renamed Fort McKay, it was burned by the Indians after its evacuation at the end of the war.

Fort Crawford, built on the same spot in 1816, was the scene of an outstanding event in medical history. Dr. William Beaumont here made his famous studies of digestion by observing Alexis St. Martin, a half-breed who had been wounded in such a manner that a permanent opening remained in the wall of his stomach.

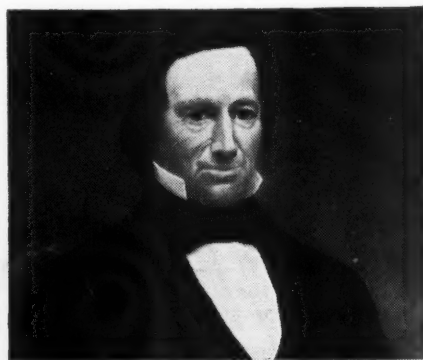
After the removal of Fort Crawford to a new location, the land was acquired by Col. Hercules Louis Dousman, one of Wisconsin's great pioneers, who in 1843 completed



The drawing room has a crystal chandelier of antique Waterford glass.

what he called "the house on the mound." In sharp contrast to the forts which had preceded it, the Villa Louis, as it came to be known, was a luxuriously furnished mansion where Dousman and his charming wife entertained on a lavish scale.

Born in Mackinac in 1800, Dousman was one of the most important agents in John Jacob Astor's fur company and from his headquarters at Prairie du Chien controlled fur trade with the Indians over a vast territory. He also helped develop steamboat transportation on the upper Mississippi and was the owner of several packets, later lending finan-



cial aid to the introduction of railroads. Besides the business acumen which enabled him to amass a fortune, Dousman had great influence with the Indians, and knew several of their languages. His tactful arbitration was often responsible for averting violent outbreaks.

After the Dousmans' death, their only child, Hercules L. Dousman II, used the estate for breeding race horses. Known as the Artesian Stock Farm, it had its own cork race track.

In 1935, the estate was deeded by the Dousman heirs to the city of Prairie du Chien and has been developed as Dousman Municipal Park. Through gifts from members of the Dousman family "the house on the mound" has been furnished with many of its original appointments and appears much as it did in the days when a pioneer lived side by side with the Indians.

* * *

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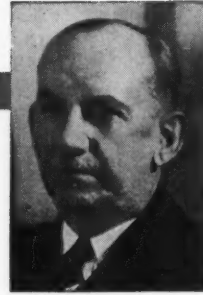
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Editorial



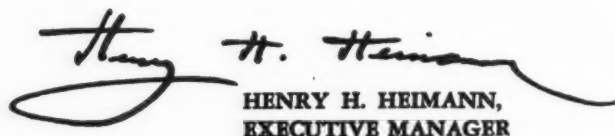
There is work to be done by men of faith

THE EASTER season is but a few days past and the ripe spring is upon us. It is right that we pause and consider the blessing of this happiest of seasons. The fresh new blooms, the growing crops, the verdant pastures, the leafing trees, the milder climate, the spring rains, the awakening and activity of animal and bird life, all build faith in nature and thankfulness to the Creator and give us new hope. These thoughts stir human souls irrespective of creed or faith. Everyone in his own way observes Easter.

Whenever the events of the world seem dismal, whenever troubles and cares beset us and we know not whether life can ever again be normal, we would do well to meditate on the scriptural lesson of Easter. If we do so we can more readily understand how impossible it is for those who would abolish all spiritual teachings to succeed. For a time, they can and do cause intense suffering and heartaches as they treat human life with little or no regard. But they cannot eradicate the faith and hope that the Easter season engenders.

Despite all their conquests and the human slavery they have forced upon peoples, despite the padlocking of church doors, the taking of the lives of God's shepherds and the destruction of minds and souls, there will always be some brave enough to stand up for the right. It was always so and always will be.

Let us, therefore, amidst all of our troubles and world difficulties give thought to this season of Easter. In doing so we will more readily understand that the philosophy of the Communists cannot possibly succeed. We will gain strength in our own convictions and courage to believe that the happiness of Easter may be enjoyed by all the people of the world. This is a time when we should particularly pause to give thought to the human slaves now under the iron heel of those who would destroy all that is good and holy, and when we should have courage to try to liberate them from the chains that bind them. They, too, must be resurrected from the dead.


HENRY H. HEIMANN,
EXECUTIVE MANAGER

COMING EVENTS

1950

April 17-19

Eastern Petroleum
Credit Conference
Boston



May 14-18

54th Annual
Credit Congress
Biltmore Hotel,
Los Angeles, Calif.



August 6-19

Graduate School
Dartmouth College



October 12-14

All-South Conference
Shreveport



October 19-21

Northeast Conference
New York



October 20-21

Ohio Valley Regional
Credit Conference
Louisville, Ky.



October 26-27

Tri-State Conference
Waterloo, Iowa

Credit

and FINANCIAL
MANAGEMENT

APRIL, 1950

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Do figures never lie? Where does character stop and capacity start? What is a dollar? What is the most important factor in credit analysis?

IT'S ALL A QUESTION!

by HELEN M. SOMMERS

Credit Manager, Trojan Hosiery Mills, Indianapolis

THE emblem of the credit profession might well be a question-mark. It is a tool of the trade, a versatile tool to be used constantly and in many ways.

A credit man asks other people questions in the course of his investigations; but the crucial questions are the ones he asks himself and then sets about to answer by asking himself more questions, by making direct observations, and by asking for reports from others who in turn have done some questioning and observing. And the answers to all these questions he evaluates by putting still more questions both to himself and to others.

But the significance of the question-mark for credit purposes is much broader than this. It symbolizes an attitude to be cultivated, a predisposed approach to data so that we may discriminate, notice differences and changes in what we might otherwise assume to be alike or unchanged, and save ourselves from insufficiently supported inferences and swift but false conclusions. It symbolizes the attitude that sends us behind the so-called "obvious" to discover facts that were not obvious at all. That attitude is the "maybe" attitude—the awareness of many other possibilities than the first quick interpretations that we are apt to place upon the data

we gather. It is the attitude of scientists. It is the attitude by which we learn.

A CHILD asks his first questions before he can talk. He reaches for what he sees, then touches, feels and manipulates the object and puts it in his mouth. He does not, of course, verbalize "how does it feel in my hands?" or "how does it taste?" He inquires directly with his hands and fingers, tongue, and lips. He questions in the sense that he investigates in order to "know" the object with other of his senses—to go beyond what he has already experienced of it through his eyes. Later when he learns words, he uses them in his attempt at inquiry. His ceaseless questions, *what is it, why*, are attempts to learn more about what he cannot explore with his hands, eyes, tongue, ears.

But the world is a bewildering place of many things-to-be-learned. His attention, distracted from one object to another, focuses upon aspects of a new object which are similar to what he has observed previously of another. Through association he recognizes similarities and reacts to them with the same response.

That is one of the reasons why a year-old experimenter finds par-

ents so hard to understand: One day an unbreakable cup is dashed to the floor, it makes an amusing clatter, and mother patiently picks it up with no comment. Then why does she make such a fuss the next day when another cup goes the same way, and not only makes a louder noise but flies into exciting smithereens? Again, interesting things happen when bath-tub spigots are turned; the same interesting things ought to happen when other gadgets such as gas-burner controls are turned.

NOW we learn (many times the hard way) to distinguish between breakable objects and non-breakable ones, between bath-room taps and gas-burner jets; but the habit of short-cut, minimal, satisfied-with-similarities observation continues. "It has been the tradition of our race that similarities have been heeded and respected more than differences," Wendell Johnson points out in *People in Quandaries*.^{*} We are prone to identify the whole by one of its parts. One aspect of x may resemble an aspect of a . Noticing this, we may act as if x were in all respects like a . But "no two things are exactly alike"* and their differences may make a crucial dif-

^{*}*People in Quandaries*, by Wendell Johnson. Harper & Bros., 1946.

ference in some specific situation.

A major contribution to accidents is this failure to take differences into account. You may unwittingly sit on a chair that has been moved (but not far enough) out of the line of traffic because it has had a leg removed for repairs. You find yourself on the floor because you observed just enough of the object to identify it as a chair, but not enough to identify it as a chair not safe to sit on. Your accident occurred because you reacted to this chair as if all chairs were alike.

Behind the wheel a driver may react to one curve-on-road (sharp) as he does to another curve-on-road (broad); or to curving road (wet) as he does to curving road (dry); or to wet road (black-top) as he does to wet road (concrete). The overturned car in the ditch responds to differences; its injured driver to similarities.

THIS tendency to take our cues from similarities only and to overlook differences is what we might term a miscarriage of an important neutral function—that of association. Before we contrast, we compare. Similarities or relationships must be noted before differences can have significance as differences. There would be little point in attempting to describe the differences between a piece of pig-iron and a telegram unless in some way we had first found some common use, function, appearance, structure, etc. But to point out differences between a telegram and a letter is meaningful because their use has one point of similarity which we recognize through association: both convey a message from one human being to another through the medium of written symbols and by the agency of other human beings.

But credit men sometimes involve themselves in unexpected difficulties by reacting to this very similarity

of letter and telegram while overlooking one of their important differences: the telegram is semi-public. Libel suits have been won against creditors who used certain language in telegrams that could, under particular qualifying conditions, have been used in a letter without liability.

SHORT-CUT categorizing habits of reacting to similarities parallels another habitual reaction. We are prone to act as if things always remain the same. Once we have experienced an object in some manner, we like to go away and leave it with the comfortable feeling that we can return at any time and find it the same. We resist taking change into account because static orientation somehow gives us a seeming sense of security.

But facts are events. You cannot pigeon-hole a fact and come back to find it unchanged. We live in a world of dynamic, continuing process. The work of modern scientists indicates that what we observe as solid matter results from very rapid electronic movement and process-patterns; that all is change and flux. Not only are "no two things identical," but, to use Dr. Johnson's words, "no one thing is ever twice the same."*

The realization that we are a part of such a universe should inspire us to confident participation, rather than scare us because it disturbs our static notions. What should frighten us is our tendency not to take change into account. We only *believe* it is comfortable to stay put. Actually we cannot remain the same nor can anything in the universe as we know it today; and when unanticipated change catches us napping we discover that our "comfort" is highly fictitious. Did you ever hear a credit man say,

**People in Quandaries*, by Wendell Johnson. Harper & Bros., 1946.

"Why, we sold them for years! I didn't dream—." Didn't he?

Not only can we analyze credits better, but we can enormously improve our general adjustment to the business of living in a changing world by cultivating a constant habit of saying to ourselves, "That was last year"; "that was six months ago — last month — last Wednesday — yesterday — an hour ago." (Yes, sometimes even "a few seconds ago!") "What changes have since occurred that would affect this situation?" We must be set for change—not occasional change, but constant change.

ACTING as if similar things were alike and as if things don't change are part of the culture in which we live. Because we have grown up in that culture it is difficult for us to notice these reactions. Because they are habitual we continue to react in this way unless we do notice the tendency and its undesirable, sometimes disastrous consequences and then set about to retrain our responses. Lower animals are closely chained to their habitual responses but man's neural equipment provides enormous flexibility in this direction. Scientists in their work have retrained their reactions so that they are set to expect and to notice change and difference. In part it is this awareness and the questioning to which it leads that we call the scientific attitude.

A SCIENTIST makes inquiries about what non-scientific people take for granted. He has trained himself to observe twice, three times, many times what others glance at and "know." He examines his data as if there were many possibilities that they are not what they seem. He has trained himself to detect differences. He does not permit himself to generalize from few particulars. He draws inferences cautiously and tentatively. He tests them. He revises them. He constantly raises questions.

Dr. Johnson draws a clear description of this scientific attitude in the opening chapters of his *People in Quandaries*, a book to which I have already referred, and which deals with the comparatively new science of general semantics as it

With more than ordinary pride the editors present this first in a series of articles on scientific credit analysis by Miss Sommers. A recognized authority on business correspondence and its psychological aspects, the author now brings to credit analysis a scientific system based on long study of general semantics, the science of word meanings. The second article in the series will appear next month.

applies to problems of personal adjustment.

A more complete orientation in general semantics than is here possible is recommended to all credit men not already familiar with its possibilities. Applied to and practiced in credit analysis it is potent with reward. The approach to credit analysis with which this article deals and which will be elaborated in succeeding articles rests largely upon some premises of general semantics as I have interpreted them from *People in Quandaries*; from *Science and Sanity*, by Alfred Korzybski, the father of general semantics, and from Hayakawa's *Language in Action*. One of these premises has already been introduced in this article: That a scientific and realistic solution of problems that arise not only in limited areas of activity but in the whole general field of human endeavor must rest upon an awareness that we live in a process-universe, with its corollaries of change and difference. Other premises and their credit application will be shown below, under the topics dealing with words, figures, dollar signs, elementalistic terms, facts, inferences and judgments.

KORZYBSKI, who introduced the term *general semantics*, (in distinction to the older term, *semantics*, a branch of philology), used it to label a modern system of evaluation which takes current scientific discovery into account. This system he formulated and presented in his monumental *Science and Sanity*, first published in 1933.

Like many words that sound impressive, the term *semantics* has been bandied about carelessly and with fuzzy notions of its subject-matter. I have actually heard it used as if it were a tricky way of using words to deceive! Quite the contrary, use of the techniques of general semantics makes us aware of "tricky language"—of the difference between word and fact, and induces clear, discriminative thinking.

General semantics sharply distinguishes between the word as symbol, and what the word symbolizes. "The word is not the object" that it labels. The structure of language as we commonly use it, which

evolved from very old, pre-scientific notions about the universe, including ourselves, does not correspond to the structure of the universe as we know it today through advancing scientific discovery. We think in words and work through the medium of language; so, unless we are vigilantly aware of these discrepancies as we use language, we are apt to manufacture verbal fictions to a greater extent than we observe and make use of non-verbal facts.

A WORD is a symbol or label. But a single word stands for a whole class of objects that are similar in some respects but different in others. Think, for example, how widely different from each other are all the objects which we label *chair*. And *automobile*. No two of them exactly alike even when you have two of the same make, model, year and paint job, and the same mileage, or even no mileage at all.

Then we group together chairs, tables, sofas, etc., and label them all by the categorical term, *furniture*, or if they happen to be objects which a merchant offers for sale, we call them by the more general term, *merchandise*. The more general and categorical the term, the greater the differences in the objects which it labels.

Scientific evaluation of credit data requires constant distinction between symbols and what they stand for. And scientific analysis of a balance sheet demands awareness of and vigilant searching for the many specific differences that lie behind its categorical labels such as *merchandise*, *accounts receivable*, *notes receivable*, *fixtures*, *accounts payable*, *accruals*, etc.

Under the heading of *merchandise*, for instance, an accountant may or may not have included merchandise in transit. Or the figure may include merchandise on consignment from others. And some of the merchandise may have been in stock two days, some two weeks, two months, two years. It may include fashion items already out of date; or perishable items already perished. Only to the extent that we go behind the general term *merchandise* to an understanding of its specific items can ratios such as

"merchandise to sales," "merchandise to working capital," etc., have meaning.

BY CARELESS accounting technique *accounts receivable* might include accounts that did not originate from the sale of merchandise (advances to employees, miscellaneous loans, advances to vendors, goods returned to vendors for credit, etc.). Yet how often have we not been guilty of plunging into comparison of credit sales with accounts receivable to determine "age of accounts receivable," or "collection period," without investigating this possibility, or at least qualifying our conclusions with the reservation that we may have compared figures not validly comparable?

Categories are not groups of things that are alike. They are things grouped together under one label because they have at least one point in common—perhaps *only* one; in all other respects they may be quite different. But the tendency to lapse into comfortable, pigeon-holing, unquestioning responses to categorical terms is stronger than we realize until we set about deliberately to catch ourselves doing it.

FIGURES are symbols, too, that stand for many different things. We seem to have an almost pathological respect for figures. If you want a formidable weapon with which to trounce your opponent in an argument, produce figures—but, of course, don't give him time to produce figures of his own!

Pure figures (i.e., those not enumerating objects, those not hooked up with words) when mathematically correct do not lie. But pure figures do not exist in the external world. They are linked to objects. Objects differ. Different things added and labeled produce to-some-extent-misleading results if we don't remember their inevitable differences.

Two plus two equals four. But two boys plus two apples do not equal four boys or four apples. Now, a careful accountant or a competent bookkeeper does not add "boys" and "apples." But all accountants and bookkeepers are not careful and competent. So when we examine figures we must allow for the fact that boys and apples may

have been added. Indeed, we must go further than that: we must try to learn if they have. (See comments above on accounts receivable.) And even if two apples have been added to two apples to make four apples, you still need to ask questions. Some of them might be rotten, wormy, green, scrawny, juicy, etc. Of one thing you may be sure: they are not four apples exactly alike.

Whenever "figures have been assembled"—whenever things in the external world have been counted or their quantities computed by any arithmetical process whatsoever—differences have been disregarded. We cannot safely assume that those differences are unimportant for our purpose. It is our task to discover what differences we can and, knowing that we cannot find them all, to qualify our evaluations accordingly. This is a conditional approach—quite a different point of view from blind acceptance of figures because they are figures. It calls for questions.

\$ IS another symbol that stands for different things—a fact obvious when we buy food from day to day, but likely to be overlooked when we read balance-sheets. **\$** stands for "today's dollar," "yesterday's dollar," "next year's dollar," and so on. And those terms are themselves very general and highly abstract terms referring to a dollar's *average* exchange-value or purchasing-power at given dates as indicated by price indexes. Price indexes result from compilations of prices of many widely differing objects. Changing prices of a less general class of objects or of a specific object may not follow the index-pattern. Actually the value of a dollar is the particular thing you exchange it for at a particular moment.

On the same balance-sheet the dollar signs mean different things. A balance-sheet dated December 31, 1949, for instance, may list machinery valued in terms of the specific machinery-purchasing-power of dollars of ten years prior, certainly not the same thing as replacement cost December 31, 1949. On the same statement some items of merchandise may be valued at the dollars they cost October 31,

1949, or at their probable replacement cost, if lower, December 31, 1949; but (important in a declining market) possibly not at their *predicted* replacement cost at the time they will probably be sold. In other words, merchandise may have been valued without anticipating imminent mark-downs. And the dollars at which accounts receivable are valued at statement date will not have the same purchasing-power two months later when some of the receivables are liquidated and the money is spent for the needs of the business. In evaluating a balance-sheet, are we always aware of these differences that hide behind dollar signs?

A STUDENT of general semantics becomes aware of the tangled web of words in which we enmesh ourselves when we attempt verbally to split into sharply defined elements a unit which functions in the world of experience as an integrated whole. Following the discipline of general semantics he will not engage in futile arguments involving such problems, for instance, as the relative importance of heredity and environment in influencing human behavior. For with inherited equipment a human being responds to his environment. Such responses form behavior patterns that affect subsequent responses. On the level of actual human behavior the factors cannot be separated or isolated. Another pair of such elementalistic terms are emotion and intellect. What they refer to cannot be found functioning separately in the world of experience. The human organism reacts as an integrated whole.

TWO of the time-honored 3-C's or 4-C's of credit are termed "character" and "capacity." In a given human being, where does his "character" end and his "capacity" begin? What exactly are we talking about when we use these terms? In the kind of behavior which a credit man might think of as evidencing "good character" for credit purposes, he might, for instance, include persistent and resolute attack upon a given problem in the face of discouraging results. Now, in a hypothetical case, after persistent trial, error, and observation of re-

sults a man "finds" the solution of a particular problem. Can we say how much of the problem was solved by persistence, and how much by observation, to mention only two factors; or, if you want still broader and fuzzier terms, how much by "character" and how much by "capacity"?

End-results, human behavior, an individual's responses are all that we can observe. When we try to separate behavior into elements of "character" and "capacity" we use these terms as if they signified something the individual *has*, something that somehow *resides in* him, and *will continue* to reside in him.

But a human being's behavior changes; and paying bills and running a business are forms of human behavior. To notice changes in such behavior is a credit man's job. John Jones paid his bills when business was good; but when a general slump in business activity made the going rough, payments grew slower and slower and unpaid bills mounted higher and higher. One day Jones and Jones' assets disappeared. Was Jones dishonest? Was he dishonest when he paid his bills? At what point *did* he become dishonest?

We cannot observe such changes in behavior unless we watch what a man *does* and stop cataloguing what he "is" and the characteristics he "has," for such cataloguing nearly always carries implications of permanence and puts us off guard for change.

CREDIT men have wasted many words on the relative importance of "character," "capacity," and "capital," with "conditions" somehow thrown in. With the exception of *capital*, which can be clearly defined for our purposes, the terms are fuzzy and do not label anything specific. In credit analysis at non-consumer levels we are predicting the redemption-probability of a promise to pay offered by a functioning business-unit in exchange for goods. This business-unit consists of human beings employing capital to buy/produce/sell goods and services for profit to other human beings also engaged in buying/producing/selling and re-

(Continued on Page 24)

Advice to the small businessman —

Keep Your House in Order!

by R. LYNN GALLOWAY

General Credit Manager, Eastman Kodak Company, Rochester, N. Y.

DURING 1949, there were 9,246 business failures, involving approximately \$308,000,000 in liabilities. These figures are not large, measured by records of some years in the past, but it is important to note that the trend is upward again.

Of additional importance is the fact that these figures do not tell the whole story. During the same period there were another 60,000 business ventures which, although not classed as failures, discontinued operations with little or no loss to creditors.

But there are other results even more important than the losses to creditors involved in the failures previously mentioned, or in the number of additional firms which discontinued business. Some of these are the loss of capital invested by the owners, and the destruction of their hopes; the loss of employment and some measure of security for the employees concerned; the loss of service and sources of supply to the customers who depended on these businesses; and finally, the loss of sales outlets for suppliers.

Why do some businesses fail? Why are others forced to discontinue operations? The answers are many, but one fundamental reason for failure leads all the rest, and that is bad business management.

WHAT is bad business management, and how can it be detected? What is good business management, and how can it be encouraged? The answers to these questions are important to those of us engaged in credit management. They are of much more importance than the prevention of bad debt losses.

Our main responsibility is not to prevent losses, but to help build and maintain stable, strong and successful outlets for the merchandise our firms have for sale.

To carry out this responsibility, we must secure the information necessary to judge many phases of a business operation. The information we get, as a result of the questions we ask, provides the answers concerning the quality of business management. This work is not completed at the time an account is opened. It must be continued thereafter, and that is why, year after year, we ask for financial statements and secure other kinds of credit information.

The owner or manager of a business should be interested in a stable, strong and successful operation also. He, too, must find the answers to many questions if he is to make his business successful. Many of the questions with which he is vitally concerned are the same as those which interest credit departments, even though they may be approached from a different point of view.

SINCE each of us has the same ultimate goal in mind, we must have mutual interests. Since we need certain information in order to measure the success of a business, a good deal of the information required must be of interest to both. Since both of us secure this information as a result of questions we are asking ourselves about the business, some of the questions must be the same. If this is true, then the more the credit departments and owners and managers of businesses can cooperate, in order to secure the

satisfactory answers each is seeking, the better each can discharge his responsibilities.

It is with these thoughts in mind that I should like to discuss generally some of the questions which are explored by a credit department as it examines a business. These questions might be considered yardsticks, if you like, by means of which each of us can measure the degree of success which a business has achieved. Perhaps, as they are mentioned, you can apply them to your own business, or decide which might be applied most effectively in the future, to judge the quality of your business management.

THE first question I should like to have you consider is this: are you adequately and properly financed? Whether you are adequately financed or not depends to a considerable extent on the amount of money you have invested compared to what you owe to your creditors.

The operation of a business is like the cycle of a turning wheel. The first part of this cycle is represented by providing the means to do business, such as a location, fixtures and equipment. **The next part** is procurement, getting the materials and the personnel to utilize the location, fixtures and equipment, and to furnish the products or services you are offering for sale. As the wheel turns a little more, you enter the next stage of the cycle, which might be called processing. Here you are engaged in the display and sale of your stock of goods or the transformation of materials into goods or services which you sell. The last part of the cycle can

be referred to as conversion. This is the time and effort which must be devoted to turning your previous operations into the cash required to begin a new cycle.

The wheel needs proper lubrication to keep it turning freely and easily, and the lubricant involved is the capital which you and your creditors provide. Unless you invest a sufficient part of the capital, the lubricant will not be a good one, and sooner or later this turning wheel will bind, slow down and eventually stop.

This will occur because the length of time required to complete the cycle is considerably greater than the amount of time you can use creditors' money without repayment. You must provide the invested capital to make up this difference in time.

Your ability to do this, and one test of whether or not your capital is adequate, can be expressed in the ratio between your invested capital and your liabilities. Past experience indicates that you should have at least one dollar invested in your business for every dollar you owe to your creditors. While this rule of thumb is a flexible one and depends upon the character of the liabilities involved, when the ratio falls below this minimum of one to one, your business is less able to withstand the fluctuations in volume and the emergencies which are bound to occur. The potential control of the business then passes to your creditors, and this control may be actual when your business becomes involved.

HAVING sufficient capital in your business is not enough, however. Proper distribution of the capital is equally important, so let's take another look at the cycle made by the turning wheel.

Providing the means to do business involves an investment in location, fixtures and equipment, care must be exercised so as not to invest too great a proportion of the available capital in this part of the cycle to the detriment of those parts which must follow.

We can measure this by comparing the amount represented by these fixed assets with the total invested capital and express this measurement in the form of a ratio called

IN THE January issue of *Credit and Financial Management* it was our privilege to publish a short article, "A Primer on Credit," by Leslie C. Rucker, president of Rucker Radio Wholesalers, Washington, D.C., which was, in effect, a short message to the small businessman showing him how to use his credit to his best advantage. Now the author, a consistent and valued contributor, shows the small businessman how to keep his credit good in order that he may have some credit to use. We feel that Mr. Galloway in this article makes a real contribution to credit understanding. Reprints are available on request.

Fixed Assets to Net Worth. While this ratio varies with the character of the business being operated, it should at no time rise to the point where the amount invested in fixed assets equals your total investment in your business. The experience of a number of firms shows that when operations do not include a processing plant, the ratio of Fixed Assets to Net Worth seldom rises above 25%. When a processing plant is operated in conjunction with a retail or wholesale business, this ratio may rise to about 35% or 40%. If the principal part of the business is processing, then the ratio may be as high as 70%.

THE remaining three parts of the cycle which I previously referred to as procurement, processing and conversion, involve the financing of current assets such as inventory and accounts receivable. Here also we must consider such things as accounts payable, rent, payrolls and other current liabilities, all of which are concerned with working capital.

Your ability to finance these parts of the cycle depends upon your having some invested capital left after financing your fixed assets. If you do have, then the total of your current assets such as inventory, accounts receivable and cash will exceed the total of your current liabilities such as accounts payable, bank loans, rent, payroll and the like. This excess is called working capital, and the distribution and amount of it are also important.

COMPARE the value of your inventory to the amount of your working capital. If inventory exceeds working capital you are depending too much on current sales to provide the means to pay bills.

A quick and unforeseen drop in those sales will make it difficult for you to satisfy your creditors.

Make a similar comparison of your accounts receivable with your working capital. Should you find that accounts receivable are a large part of your working capital, then your ability to continue operations depends too much on how promptly your customers pay you.

The ability to meet these working capital requirements successfully depends to a great extent on keeping the amount of your working capital in line with your sales volume. A sales increase brings with it greater merchandise and payroll obligations, as well as larger inventories and accounts receivable. Unless your working capital increases accordingly, you cannot maintain an adequate margin of protection against even temporary sales declines or slowing up of collections. It is worthwhile keeping in mind that the sales volume of most businesses does not exceed ten times the amount of working capital available.

A good paying record is important to you, and worth protecting. You can maintain such a record only by keeping your working capital adequate, and properly distributed.

THE second question I should like to ask you is this: do you have adequate records, and are you obtaining the maximum benefit from them?

The nature of the records to be kept will vary with the size of the business. Any business, no matter how small, should have some means by which both income and expense can be recorded, analyzed and properly controlled. Such records to be effective do not need to be elab-

orate. They are only a means to an end—not an end in themselves. Once the kinds of records are chosen and set up, they must be kept up to date and they must be accurate. You can use them for a number of worthwhile purposes.

They will keep you informed about current operations. With them you can check current operations with past performance. They will help you make realistic plans for the future, and allow you to check up on the achievement of those plans. You will find them valuable in gaining the respect and confidence of the credit departments with which you deal.

Good records will help those engaged in credit work to assist you with your present problems and future plans. If you do not now have records which will do these things for you, I urge you to secure the services of a qualified public accountant who can help you get them and learn how to use them.

Oliver Wendell Holmes has been quoted as saying, "I find the great thing in this world is not where we stand, as in what direction we are moving. To reach a port we must sail sometimes with the wind, and sometimes against it, but we must sail and not drift, nor lie at anchor." There is no such thing as "lying at anchor" for a successful business. My next question, therefore, is this—Do you know where you are going?

The trend of your business from year to year is important to you, and also is important to your sources of supply. Unless you know there is a trend, and what that trend is, you may not know you are headed for trouble until you arrive there. A small business growing conservatively is a better credit risk than a larger business going downhill.

THERE are a number of ways that you and the credit departments with which you deal, and which are interested in helping you with your affairs, can determine the trend of your business. Here are a few specific check points that are easy to watch.

Are your operations profitable? I don't know of any way you can build or maintain a successful business without profits. Unless your

general trend is profitable, sooner or later you are going to run out of money. If your operations are not profitable, you had better start digging a little deeper and asking more questions to find out how you can make a profit. If you can pass this check point successfully, then you are ready for the next one.

Is the net worth of your business growing by a retention of a part of the profits in that business? As I mentioned previously, growing businesses need increasing amounts of capital, and at least a part of that capital must come from profits, otherwise you cannot answer favorably the next question concerning trends.

Are you improving your net worth position, as compared to your creditors' investment? Credit departments do not look favorably upon any business when the trend shows that the business is year after year depending more and more upon the creditors' money to finance its operations. The ratio of one to one which I mentioned before is a minimum, and each year's operations should improve it.

The trend in the break-even point of your business is of great importance to you. The break-even point in your operations for the year is reached when your income from sales is sufficient to cover all of your fixed charges, and the other expenses incidental to the volume of business you have handled. As this break-even point rises, your margin of safety declines, and you are less able and less likely to adjust your operations to fluctuations in sales volume and other contingencies which business from time to time must expect.

Of additional importance is the fact that by calculating this break-even point for your business, you learn a great deal about the details of your operations, the effects of some of your previous decisions, and you also develop other check points which will help you watch your trends more closely.

OTHER points of comparison which are important, and may be of great interest to you, are sales, gross profits, merchandise turnover, etc. You will undoubtedly develop others as you go along. Each of these will help tell the story for

you, just as they do for the credit departments of your suppliers.

Because such information can be expressed in the form of ratios or percentages, comparisons can be made without disclosing the details of your own affairs or asking others to disclose theirs. Sharing this information with your suppliers makes it possible for them to prepare tabulations representing the experience of many similar businesses. The ratios and percentages I have previously mentioned were taken from the tabulations we are able to make as we analyze the financial information received each year from many of our customers. By means of such figures we can measure and compare the operations of individual businesses, and provide such information for our customers who are interested or for whom some constructive help is desirable.

FINANCES, records and trends are only a part of the things credit men are interested in, and certainly they should not be your exclusive interest. Among other questions which we find important, is this one:

Are you a good housekeeper? Stocks should be orderly and well-controlled to prevent the possibility of waste, spoilage and pilferage. Your merchandise should be attractively displayed, so that customers notice it and are interested in buying it. Your equipment should be clean and well-maintained, so that you can avoid the losses which might otherwise occur due to breakdowns, accidents, lost time and spoiled production. The store or plant should be attractive to customers, easy to keep clean and a stimulant to your working force.

Owners and managers who are good housekeepers indicate an attitude of care and attention to these details, which also implies similar attention to other things of importance. Don't overlook the value of making a good impression on employees, salesmen, and credit departments, as well as customers.

ANOTHER question in which credit departments are interested and must answer to their satisfaction is this one: How good an

(Continued on Page 25)

Trust Receipts Work!

by E. V. GRISVARD

Of the Adjustment Bureau, Seattle Association of Credit Men

IN THE February issue of CREDIT AND FINANCIAL MANAGEMENT there appeared an article entitled "Giving Credit to a Debtor Operating Under a Trust Mortgage." In that article Mr. Carl B. Everberg stated in part that "it is hardly likely that more than a slight fraction of (operations under trust mortgages) work out satisfactorily." Mr. Everberg's conclusions are at considerable variance with the methods and experience in the handling of trust mortgages for the benefit of creditors in the State of Washington.

The trust mortgage (chattel and/or real) is not a recent revival but has been in constant use in the State of Washington for over a quarter of a century past, and to a great extent also in the neighboring State of Oregon. It is the medium most commonly used by the adjustment bureaus of the wholesale credit associations of Washington and Oregon to protect the interests of general unsecured creditors where those creditors, after careful consideration of all the facts, have determined upon the advisability of granting an extension of time to a financially embarrassed debtor who is unable to pay his or its debts in the ordinary course of business. The Seattle Association of Credit Men has, during the course of the past quarter century, handled many hundreds of trust mortgage cases, and has at present a substantial number of these in process.

THE trust mortgage, as used by the Seattle Association of Credit Men and neighboring Associations, is not in any sense of the word preferential in character and consequently cannot be held to be an act of bankruptcy. The trust mortgage very clearly sets forth that it is for the benefit of "all general unsecured creditors, *ratably and without preference*, and whether or not said creditor may have been mentioned in the list of creditors furnished to the mortgagee by the mortgagor." There is no time limitation in which interested creditors may prove their claims with the trust mortgagee, other than the final termination of the trust mortgage extension itself. Any bona fide creditor may prove his claim at any time during the life of the administration of the trust mortgage, and participate ratably with all other general unsecured creditors in the proceeds thereof.

In the State of Washington and also in Oregon, it is the custom of the wholesalers to require that trust mortgages for the benefit of creditors shall be given to their local Wholesalers' Credit Association. These Associations maintain staffs of adjustment bureau supervisors who have behind them many years of training and experience in this type of work.

The trust mortgage as used in the State of Washington is definitely not an assignment for the benefit of creditors and, for that reason also, cannot be held to be an act of bankruptcy. The question

of whether such a trust mortgage can be construed as an assignment for the benefit of creditors has been decided by the Washington State Supreme Court in re: Seattle Association of Credit Men-vs-Boersema, 8 Wash. (2nd) 263, wherein it was held by the Court that the trust mortgage as used by the Seattle Association of Credit Men was not and could not be construed to be an assignment for the benefit of creditors, but was exactly what it purported to be, namely a mortgage given to one acting in a trust capacity for the benefit of *all* the general unsecured creditors of the debtor, *ratably and without preference*, and wherein the Court further held that such a trust mortgage, like any valid chattel mortgage, was superior to any after-incurred taxes or other liens, including labor.

UNDER the form of trust mortgage used by the Seattle Association of Credit Men and other Associations in the states mentioned, the trust mortgagee does not take possession of nor conduct the operation of the debtor's (mortgagor's) business. However, the mortgagor is required to render a periodical accounting prepared by an independent auditor, which is submitted not only to the trust mortgagee, but also to members of a creditors' committee, which, however, acts only in an advisory capacity to the trust mortgagee.

The trust mortgagee does take possession of all insurance policies

on which the interest of the trust mortgagee is duly endorsed; the bank account of the mortgagor is carried as a trust account from the date of the mortgage onward, but the trust mortgagee does not undertake to countersign checks thereon.

The trust mortgage permits the continued operation of the business and permits the mortgagor to pay the necessary expenses of operating the business, including the purchase of any merchandise stock sufficient for its needs. It requires that all net profits over and above current operating costs shall be paid to the mortgagee at monthly intervals, to apply on the trust mortgage indebtedness for distribution to the beneficiaries under the mortgage. The trust mortgage contains the usual provisions found in most mortgages providing remedies to the trust mortgagee in case of default, etc.

THE trust mortgage excludes from the benefits thereunder any creditors who may become such after the date of the trust mortgage, and rightly so, because the trust mortgage is given to existing creditors as security in consideration of the granting of an extension of time for the payment of existing debts. Both present and possible future creditors are given all possible notice of the execution of such a trust mortgage. Direct notice is given to all known creditors by the trust mortgagee at the time of its execution, and such creditors are specifically warned that any credit extended to the mortgagor, subsequent to the date of the mortgage, will be unsecured. Constructive notice is given by recording the instrument in the proper recording office in the county or counties.

where the debtor's place or places of business are located, and if the assets are of a character that cross county lines, such as transportation equipment, a certified copy of the instrument is also filed with the Secretary of State in the State Capital. The existence of such a trust mortgage, therefore, becomes a matter of public record which is recorded by all mercantile agencies and is available to all subscribers of such service. In addition this information naturally and automatically becomes a matter of record in the Credit Interchange report files of the local wholesalers' credit associations.

WHERE the element of good faith exists, it is not necessary to secure the consent of all creditors in advance to the execution of a trust mortgage. This particular question was decided by the Washington State Supreme Court in re: Endicott-Johnson-vs-O. T. Bloom, 175 Wash. 606, wherein a dissenting creditor attempted to levy an attachment on assets covered by a trust mortgage on the grounds that it had not given its consent to the execution of the trust mortgage. Our State Supreme Court held against the attaching creditor.

As to the question, what proportion of trust mortgage extensions turn out well, it is true that only a minor percentage of these pay off 100 per cent over a period of time, and then continue to function as successful business enterprises, but it is a fact, nevertheless, that a sufficient percentage of the trust mortgage cases handled by the Seattle Association of Credit Men over the past 25 or 30 years have so turned out. We could point to a

number of very substantial, successful business enterprises in this area today who, at one time or another, operated under trust mortgages to the Seattle Association of Credit Men and who, over a period of time, paid their creditors off in full.

However, aside from those cases that pay off 100 per cent and remain in business, experience has shown that in the great majority of cases the results and returns received by the creditors are far greater than could be realized under a forced liquidation under Common Law Assignment, Receivership or Bankruptcy. In many instances, operating under a trust mortgage has enabled a business to keep its doors open until an orderly reorganization of its capital structure could be effected, resulting not only in substantial returns to the existing creditors but saving the business under a new and sounder financial foundation, thereby retaining a good future customer to the participating creditors. In other instances where reorganization has been found to be impossible or impracticable, it has been possible to arrange for an orderly sale of the business, with the doors open, for a figure substantially in excess of what could have been realized had the doors been closed under insolvency liquidation proceedings.

Summing it up, it has been the experience of the Seattle Association of Credit Men and its membership, as well as of the other Wholesalers' Associations located in Washington and Oregon, that in an outstanding majority of cases, a trust mortgage arrangement has been of very substantial benefit, not only to the participating creditors, but in numerous instances to the embarrassed debtor himself.



54TH ANNUAL CREDIT CONGRESS — LOS ANGELES, MAY 14-18

SALES AND CREDITS

Brothers under the Skin

by GARDNER M. CORBIN

Sales Manager, Atlantic Screw Works, Inc., Hartford, Connecticut

IT SEEMS to me that business writing—I mean both books and magazine articles—is all directed to the men in big business. Small manufacturers or branches and dealers of large companies that actually operate as a small business, do not get enough down to earth reporting along lines that fit their problems.

Maybe that is because they are not apt to be customers for the new devices that keep track of things mechanically, and whose advertising supports the trade journals. But I think it is more because they are not vocal. They do not ask for what they want from their favorite journals. Maybe there is a chance to use trade associations to demand a little attention and to get more stuff slanted their way. You can scarcely pick up a mail today without a circular or letter from somebody who wants you to write your Senator or Congressman pressuring him to vote for or to vote down some bill before Congress. I am just as obnoxious in proposing the same sort of organized pressure, but it seems to produce results and probably will continue to do so until it is worked to death.

AN ARTICLE I would like particularly to read would concern a study of methods for sales departments and credit departments to work together to increase sales. There is a very different approach to the problems of sales and

credits of small business men from that of executives of large companies. I am thinking primarily of the small business man.

However, large or small, salesmen and credit men are more than "brothers under the skin," they are "Siamese Twins." Traditionally, all salesmen are optimists and all credit men are pessimists. As a practical matter, it is hard today to tell one from the next when you meet them in a group. The thing that they have in common, regardless of whether they are optimists or pessimists, is that they both share in the job of selling the products of their company.

Everyone in the organization is a part of the sale, of course, from the president down to the janitor, but the salesmen and the credit men are the ones who really come in close contact with the customers of the firm. The credit man has the job of promoting and maintaining a spirit of good will with relatively few contacts; in fact, frequently, the only contact a credit man will have with a customer is at the beginning of a relationship, or at the end. A credit transaction with a new account should initiate a series of mutually pleasant and profitable relationships. The credit man should have the same enthusiasm and interest in a new account as the salesman who brings it in.

WHEN an account is rated by the reporting agencies, the

credit man does not need to get very much information from the salesman along with a new order, but if the account is not listed, he can, in all fairness, expect a salesman to spend a few minutes more than it takes to make the sale to ask the account a specified list of questions to furnish information to the credit department. Any outside agency reporting on a prospective customer has little in particular at stake in the transaction, but the salesman has the same vital interest as the credit man. It is his "bread and butter," too.

The credit man should particularly try to find out at this time if the prospective buyers are working in a logical direction, or are just opportunists. Are they workers, or high-spotters? Will they survive when the going is tough? Does the salesman think that they know how to make a profit? Are the men who run the business the kind that he would be willing to trust with his own money? If the salesman had a hard time making the sale, most of this information will be picked up in the process, but if the sale was too easy, then when the salesman and the credit manager get together, they will probably decide that the time has been wasted.

A RECORD of low credit losses is as bad as a record of high losses. It means that the credit department has been over conservative and the firm has probably lost business that could safely have been taken. Few businesses grow large or obtain significance in their field without an adventurous credit policy. Every credit man should know what percentage of the firm's capital he can afford to risk, and the salesman and the credit man should get together to calculate that risk every time that it becomes obvious that one is to be taken. That makes them partners in the venture, and the salesman gets an added responsibility to watch that risk to keep it within the limits that have been decided on. Thus, a loyal account can be built up who will not listen to any competitor's siren song. When it has grown strong and well established, it should be properly grateful for the assist given when it was needed. Anyone who sells a product on credit be-

comes, to the extent of that credit, a partner in his customer's business.

I think that we should all question the idea of trying to force a man with limited capital to pay cash in advance or cash on delivery. If he amounts to anything, as soon as he can, he will get away from the source that made him use his limited capital, even if they are by then ready and willing to give him a line of credit. I doubt if General Motors or U. S. Steel would have sufficient cash to lay it on the "barrelhead" for all that they buy. Even labor is on a credit basis, for pay day in most shops is six or seven days after the work week.

MY PROPOSITION is this: either the account is worth doing business with on reasonable credit terms, or the account should be declined. While I was thinking along these lines, I was reminded of an account now on the list of our ten *best*. They are rated today AA 1, but ten years ago they had no credit rating, and had been losing money for years. A new man took over the business. Our salesman had known him for years. The salesman went to their bankers who told him they would go along with this new manager. The salesman passed this information along to us and we decided to take the account. We have never regretted our decision, and today they are a prize account.

When it comes to making the decisions necessary to select our risks, we should remember that there is no sharp dividing line between what is the right thing to do, and the wrong thing to do. There may be several possible alternatives, and all may be right, or all may be

IMPORTANT!

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wrong, but in a varying degree. There is so much emphasis on being altogether right in some business offices that these varying degrees of rightness are often unrecognized. If there is a formula for success in giving credits, I think it lies in being right in some degree 51% of the time. The degree of success probably varies with the degree of rightness.

THERE are as many pros as cons in regard to using the sales department for collections. It seems to me that the less use that is made of them, the more effective they are when used. The salesman should be brought into the picture at all times and be familiar with the position of all doubtful accounts. Many times, being properly posted, salesmen will pitch in on their own initiative, usually when they think they can get an order. A short-sighted salesman might try to sell his credit man on a dubious account. He can do it once or twice, but thereafter he loses value to the credit man. He should be his best source of information, but if the information is biased, it becomes worthless.

The credit man can do a great deal for the salesman by furnishing or assisting in the preparation of an analysis of accounts. He can help to pick out those which should be dropped as unprofitable; he can spot those which show evidence of a greater capacity; he can analyze the size of the orders to see whether the business is steady and covers a full range of the company's line:

whether the average size is large enough to make the account profitable.

There is no point in wasting a salesman's time soliciting unprofitable accounts, and I have heard it said that it is not hard to reach a point where two out of every three accounts could be marginal or "no profit" accounts. Salesmen and credit men should get together and find out the reasons why the account is not a profit one, and then take the logical steps necessary. In the same way, analyses of salesmen's territories should be made by the credit department, for frequently effort is pushed into marginal territories, when the same effort would furnish a greater reward by a division of territories nearer home.

I ALSO believe that this teamwork between sales and credit should extend to sales forecasting. Too few companies today consult their credit men when making up their sales plans. The credit man can furnish a commentary on his company's sales effort, and the competitor's effort. He can furnish information on the level and trend of his customers' businesses, and also the trend of the competitors' business. This market information should come from a study of salesmen's reports, intelligent statistics and charts, magazines such as *Time*, *Fortune* and *Kiplinger's* reports, the financial page, and just plain common sense.

Some of these ideas may sound theoretical or even Utopian. I think it boils down to the conclusion that salesmen and credit men really share an identical burden and are inseparable Siamese twins in their usefulness to their company.



54TH ANNUAL CREDIT CONGRESS — LOS ANGELES, MAY 14-18

LEGAL NOTES AND NEWS

of interest to financial executives

Reviewed by Carl B. Everberg,
Assistant Professor of Law, Boston University

Bulk Sales Act Improved in New Uniform Commercial Code

THE Bulk Sales Act, enacted in every state in the United States, fulfilled a definite want, namely of protecting creditors of the seller of a business (or the stock in trade) by informing them of an intended transfer of the assets of the business. Many a seller of a business, in the past, pocketed the cash received from the sale of it and left for parts unknown, leaving creditors "high and dry," they having no recourse to the buyer of the business for the simple reason that there was no privity between creditors of the seller and the buyer. Where the Bulk Sale Act is complied with it gives a creditor of the seller a limited time to pursue his remedies either against the seller himself or by moving against the goods (as by attachment) before the title passes to the buyer. In the event the Bulk Sales Act is not complied with, the buyer virtually becomes trustee of the goods for the benefit of the creditors of the seller. However, the lack of uniformity as between the requirements of the Act in one state and another gave rise to confusion. And in many states the Act has become inadequate in one way or another.

The new Uniform Code covers the subject under the title "Bulk Transfers." Enterprises whose principal business is the sale of merchandise from stock, including those who manufacture what they sell, will be subject to the new Act. A few transfers will be exempt from the operation of the Act: namely, general assignments for the benefit of creditors, sales in the enforcement of a lien, sales by execu-

tors, administrators, receivers, trustees in bankruptcy, sales by public officers under judicial process, and a few others. A bulk transfer to secure existing debts will be subject to the new Article, however.

A SWORN list is to be prepared by the "transferor" in manner similar to present requirements, containing the names and business addresses of all creditors of the transferor, with the amounts when known, and the names of all persons who are known to the transferor to assert claims against him even though such claims are disputed. The transfer is not made ineffective by errors or omissions in the list unless the transferee had knowledge of them. The list (together with a schedule of the property prepared by both parties) is to be preserved by the transferee for six months after the transfer, permitting inspection and copying from them, unless he files the list and schedule in a public office (which will be named later in the proposed Act).

Under the proposed Act the transferee must (where the transfer is pursuant to a sale of the goods) give the notice to creditors at least ten days before the goods are moved or the transferee takes possession of them, or the interest of the transferor passes to the transferee. [This extends the period from 5 to 10 days in many of the states.] The notice must state, under the proposed Act, (a) that a bulk transfer is about to be made, (b) the names and addresses of the transferor and transferee, and all other business names and addresses used by the transferor and transferee within three years, (c)

whether or not all the debts of the transferor are to be paid in full as they fall due as a result of the transaction, and if so, the address to which creditors should send their bills. If the debts of the transferor are not to be paid or if the transferee is in doubt on that point, the notice shall contain further information: namely, (a) the location and general description of the property to be transferred and the estimated total of the transferor's debts, (b) the address where the schedule of property and list of creditors may be inspected, (c) whether the transfer is for the security or payment of existing debts and if so the amount of such debts and to whom owing, (d) whether the transfer is for new consideration and if so the amount of such consideration and the time and place of payment. The notice must be delivered personally or by registered mail to all the persons shown on the list of creditors and to all other persons who are known to the transferee to hold or assert claims against the transferor.

A further provision which is tentatively inserted in the proposed Act (but which may ultimately not remain) is the obligation of the transferee to see that the money necessary to discharge the debts of the transferor is applied to the payment of them within thirty days after the mailing of the notice. At present a few states contain such a provision. And Pennsylvania, furthermore, requires all tax reports filed and taxes paid, or the transferee will be liable for any unpaid taxes.

The proposed Act applies to auction sales but the auctioneer alone is to be liable in the event of failure to give the required notice.

The title of purchasers is not affected.

No action can be brought, under the proposed Act, more than six months after the date the transferee takes possession, unless the transfer is concealed. In that event the action is limited to six months after discovery.

Anti-Trust Laws

THE enforcement of the Sherman Anti-Trust Act (passed in 1890) and several subsequent auxiliary Acts has had a tremendous impact on the economic life of this nation. Especially has it affected the pattern of American business. A new revision of a former treatise on Anti-Trust Laws now in the making (Toulmin's Anti-Trust Laws) has appeared in part. The project will consist of seven volumes, 6000 pages, but at this writing only three volumes are now available, consisting of some 1400 pages. The author is Harry Aubrey Toulmin, Jr., J. D., Litt. D., LL.D., of Dayton, Ohio, and Washington, D. C. It is published by The A. W. Anderson Company, Cincinnati Ohio.

The author is a busy practitioner and consultant in the field of trade regulations and is outstanding as a writer on this subject. This contribution is invaluable to business and counsel for business where questions dealing with regulations, controls and prohibitions against monopoly, restraint of trade, agreements limiting production, price discriminations, are involved. All businessmen, groups and associations, credit associations as well, should interest themselves in these matters, for there are few not in some manner affected by these laws in these modern times. Credit Manual of Commercial Laws, 1950, has emphasized the importance of these things in Chapter XXXVI, entitled "Federal Anti-Trust and Trade Regulation Laws."

AUTHOR Toulmin, in his Foreword, reluctantly turns crusader against tendencies which can result in a police state. On at least two occasions he reminds himself that the work of a reporter of law is to dispassionately tell what the law is and not to engage in opposition to the philosophies underlying decisions of the courts. But

he cannot restrain himself; he finds it impossible not to point out that there are forces at work in connection with the enforcement of these anti-trust laws which are a disturbing threat to the economic pattern we have enjoyed all these years.

Mr. Toulmin calls attention to the fact that the Sherman Anti-Trust Law charges the executive branch of the government with its enforcement. And many have felt that the Department of Justice gives an interpretation to the Act never intended; that the Supreme Court of the United States have a penchant for adopting the views of the Justice Department, rarely refusing to follow these views. The F. B. I. is used as the agency for fact-finding and investigation; hence every act, every paper, every conversation in business is open to investigation.

IN PURSUING certain philosophies of an economic order the author says that the broad terms of the anti-trust laws have "provided a convenient umbrella under which the social and economic views of the learned Justices . . . may write into the law of the land that which many men, learned in the law, fail to find, either in the statutes themselves or in the contemplation of Congress as set forth in the legislative history of these acts."

He acclaims two of the Justices of the Supreme Court for their pronouncements against this tendency: namely, Mr. Justice Jackson and Mr. Justice Douglas. Speaking of the constant uncertainty and the flux of the law as it issues from the Supreme Court, Mr. Justice Jackson said in a speech before the American Law Institute on May 20, 1948, . . . "as matters stand today, I do not see how Congress can know, even roughly, the effect that will ultimately be given to any language it may use. And I do not see how the Bar can, with any large measure of confidence, advise clients in complicated business transactions what their liabilities and duties are."

In the case of *Standard Oil Co. of California v. United States*, 337 U. S. 293, 315, 316; 69 S. Ct. 1051, Mr. Justice Douglas had occasion to comment on how the very purpose of the anti-trust laws is practically defeated by the views of the

majority of the court. He said: "The economic theories which the Court has read into the Anti-Trust Laws has favored rather than discouraged monopoly. . . . The Court approves what the Anti-Trust Laws were designed to prevent. It helps remake America in the image of the cartels."

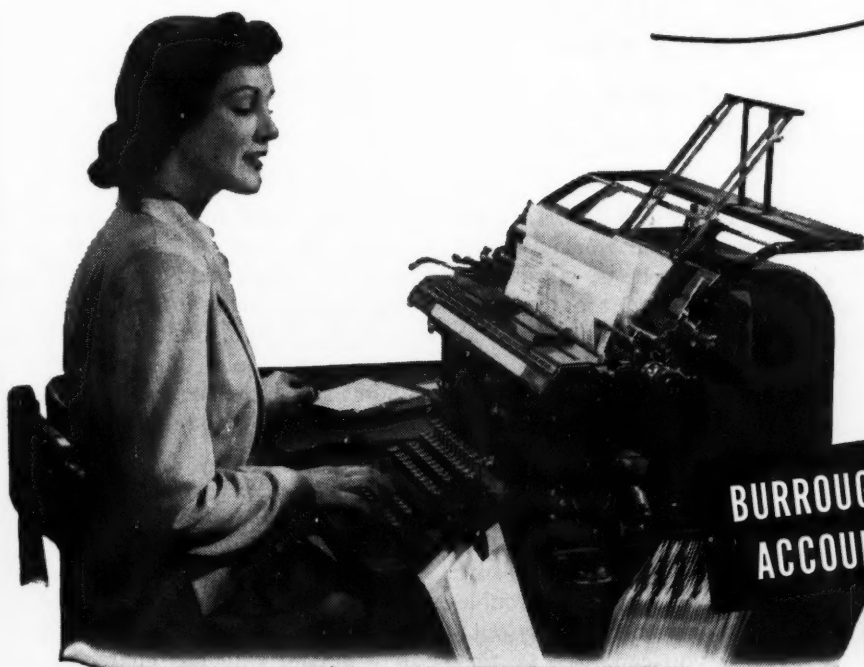
Mr. Justice Jackson said in the same case, in his separate dissenting opinion: "If the courts are to apply the lash of the anti-trust laws to the backs of businessmen to make them compete, we cannot in fairness also apply the lash whenever they hit upon a successful method of competing."

MR. TOULMIN, in the same Foreword, continues to say that the anti-trust laws are the most dangerous that any nation has ever enacted in all history. "For," he says, "under this cloak, it would be possible for a limited group of men, five in number, appointed for life, to utilize the broad provisions of these laws to change the entire aspect of our society, converting it from a democracy to a fascist state, to socialism, to a welfare state, to a police state, or to communism."

He finds some comfort by turning to Congress. It can remain the bulwark of our liberties. For the executive branch, through the Department of Justice, he says, "has a program which if put into effect, will completely change American business and the present foundation of our property rights and our present liberty of action."

The author winds up his unique Foreword by a quotation attributed to Abraham Lincoln. "You cannot bring about prosperity by discouraging thrift. You cannot strengthen the weak by weakening the strong. You cannot help the wage earner by pulling down the wage payer. You cannot further the brotherhood of man by encouraging class hatred. You cannot help the poor by destroying the rich. You cannot establish sound security on borrowed money. You cannot keep out of trouble by spending more than you earn. You cannot build character and courage by taking away man's initiative and independence. You cannot help men permanently by doing for them what they could and should do for themselves."

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What Price INTEGRITY?

by ROY E. RODDY

Philadelphia

NOT long after his tenth birthday, my friend Mort had to leave school to earn a living. He found a job, and from there made his way mostly by virtue of inborn industry and thrift. Nowadays he takes life easy in the little office of Mort, Jr., who sells things on a lot near a busy corner. Old Mort keeps the books and, on chilly days, the fire. Occasionally I visit him. He always has time to talk, and likes a good listener. The other day he began a monologue on the subject of Uncle Sam, but a glint in his eye made me suspect this was but prelude to something else. It was. He was soon talking about us—you and me. What he had to say may interest you, so I'm passing it along. Do you think Mort knows what the score is?

"What," he asked me, "do you credit men think about the reputation of Uncle Sam? Uncle Sam is you and me, our families and friends; business and working people, farmers and merchants and clerks and politicians. Uncle Sam is poor people and rich people, of all religions and colors and morals. He is the greatest man in the world, and he probably thinks he is the smartest. Well, how would you measure him with that 3 C business you are always talking about?"

How (I asked myself) are we to use the 3 "C" rule on one hundred and forty-odd million people? And for what purpose? Of course Uncle Sam has Capital; he is the richest man in the world. And Capacity—who can match that? But what of his Character—or shall we skip that?

"Yes," continued Mort, "the smartest man in the world is what Uncle Sam thinks he is. He doesn't have to be bothered too much by that character angle. That is not so important. He is so rich that if he changes his mind about the kind of money to use to pay off his paper with, there is not going to be much argument. Even now he is settling some of his bills at about fifty cents on the dollar. And if he can do that, why should you credit men blame the little fellow who is in trouble if he tries to find an easy way out?"

"Character you can't see or feel or taste, like one of these apples here. You credit men should be smart like Uncle Sam, and not let it bother you. If a man you are checking up on has capital and know-how, what else do you need? Sure, we all know nice honest poor people. What you call integrity is all right if you can afford it, but in business you have to be practical. You have to figure the other fellow is out to beat you, and if you are not careful probably he will."

Yes, Mort thinks we should skip the character part. Perhaps he has something there—I don't know. Where in a financial statement can we set down and measure honesty or integrity?

"For example," he continued, "you make a deal to do something or to buy or sell. You sign a paper and the other man signs one. You understand each other; that is, provided you have read the paper and know what it says. Lots of times people sign things thinking they mean something different than what

they do. That helps the law business. But anyhow, there is your deal, in black and white. If the other person tries to run out on it you have him, unless he should find a loophole that maybe you didn't see. If he has capital you can make him pay. You don't care about his character.

"Or, it might be you sell him under what the lawyers call an oral contract. You quote a price and he says okey. You fill his order, and maybe add a little to the price, or shade the quality, or both. Well, he is a person who has character, but is on his toes, too, and he catches you up. Your word is as good as his (that is what he thinks because he is an honest fellow) and he figures we all sometimes make mistakes so he settles with you for, say, half of what you took him over for.

"When I was in business I credited people, and never lost much money. I made sure, before I put it in the book, that the fellow had something he couldn't pack up overnight and leave with. That is what you would call capital, only it does not have to be money—it can be goods, or fixtures, a building, or a good trade; things that he can't put in his pocket.

"The worst loss I ever took was on a fellow who played the horses, and you couldn't blame that on character. He was just in tough luck. He would have paid if he hadn't lost so much money."

Mort must be spoofing us. We all know honest people do not gamble others' money.

"This is one of the reasons why you credit men should always fig-

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					ANNUAL STATEMENT BASIS	MARKET VALUE BASIS
1861	Commercial Union Assurance Co. Ltd. †	\$26,312,683	\$16,842,151	\$ 500,000	\$9,470,532	\$9,796,373
1871	The Ocean Accident & Guarantee Corp. Ltd. †	29,024,961	21,635,139	900,000	7,389,822	7,778,945
1853	American Central Insurance Company	12,052,567	7,371,565	1,000,000	4,681,002	4,887,289
1904	The British General Insurance Co. Ltd. †	1,817,845	1,052,829	500,000	765,016	783,259
1864	The California Insurance Company	7,781,337	4,437,022	1,000,000	3,344,315	3,483,436
1920	Columbia Casualty Company	15,372,663	10,497,398	1,000,000	4,875,265	5,106,512
1890	The Commercial Union Fire Ins. Co. of N.Y.	5,581,910	3,547,524	1,000,000	2,034,386	2,096,184
1886	The Palatine Insurance Company Ltd. †	4,404,646	2,465,460	500,000	1,939,186	2,047,796
1714	Union Assurance Society Limited †	3,736,973	2,443,293	500,000	1,293,680	1,378,166

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54TH ANNUAL CREDIT CONGRESS — LOS ANGELES, MAY 14-18

ure that business is business, and why it is just as well not to go overboard with too much of that character thing. If you have some you might think the other fellow has some, too, and that is bad because if you trust him he may take you over."

Perhaps, as Mort says, we credit men have to be practical, or maybe a better word is "realistic." Character is all right in its place. If we have some we can get it out on Sunday mornings with our best hat, and dust it off. And then we can take it with us to church. We listen while the man tells about the word of God, or the teachings of Christ. Might be sometimes we squirm a little, and when the plate is passed put in a bit extra. And then later, when we go over in our mind some of the business of the week, we take this bit of character and quietly, along with our Sunday hat and gloves, put it away until next week.

"You have customers who make claims or take off for shortages, or overcharges, or bad goods; or maybe discounts they are not entitled to. People like that probably don't have much character and they are a bother, but you need their trade. Everybody makes mistakes, and sometimes one of them will pay you too much. So, to make it even, you keep the money (if you are not too much of a stickler for that character thing) and use it against what he takes from you. Or, in bad cases, you can make a mistake on purpose and get even that way."

What's wrong with that? You

and I are as smart as he—maybe a little smarter. If he steals from us, why shouldn't we steal from him? Ethics? That's Pollyanna stuff—we have to be practical, don't we? Only, that word "steal" bothers me.

"Then there are times when a person will overpay a bill, or pay it twice. They don't very often discover it, either. If that should happen with a man who is okay otherwise, but you think is shaky, you can just set it aside and if he should go broke you won't lose so much. It might be, of course, that he never does fail, and one day he settles up with you and quits. By then, you would be ashamed to have to tell him you had some money that belonged to him. You figure he did all right for himself and made plenty off your goods, and you quietly fix the book so this does not show. Being honest himself, it never occurs to him that you would do this, and so no harm is done."

No harm done? Well, perhaps not to him; but should we take a closer look at the face we see each morning in the shaving mirror?

"But," continued Mort, "if you credit men still believe you should use character in judging a credit, then you should not be in glass houses, as the fellow says—you should use it on yourselves. Better, maybe, you should try it first for yourselves."

"I will tell you about two credit men I knew, so you will see what I mean. Years ago I had a little business, my first. Depression times came and many of my customers lost their jobs. I tried to help them,

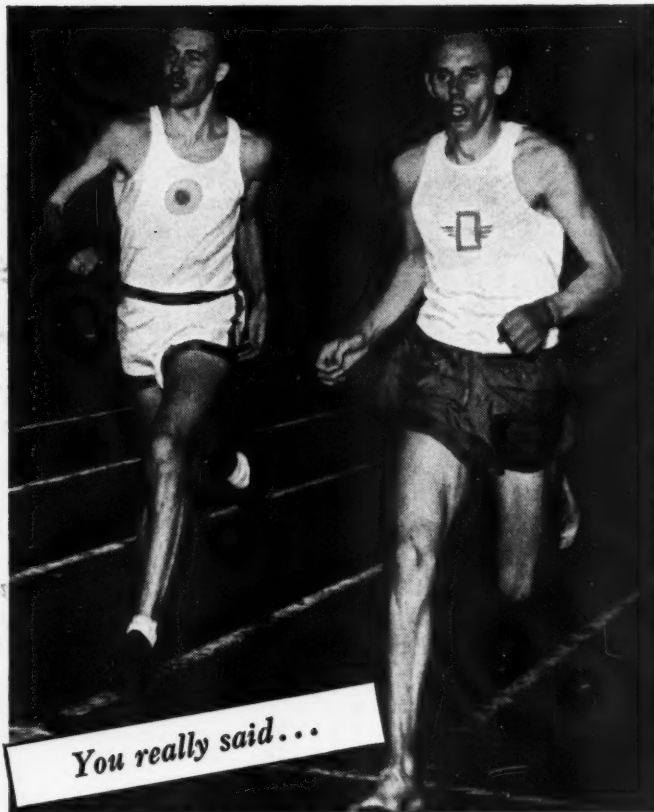
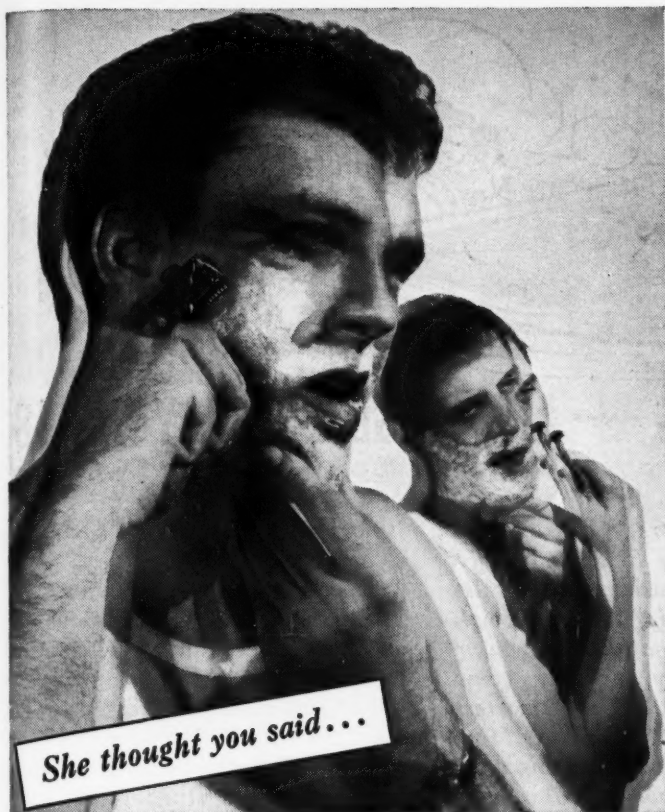
and bye and bye a time came when I could not pay my own bills. Those nights I did not sleep good.

"I had a friend, a salesman for my largest creditor, and asked him what should I do. He had his credit man come to see me. We took stock and added up the bills. I was broke (insolvent is what he said) and I should liquidate—quit business. Because he was my friend's friend I thought he was all right; besides I didn't have money to pay to a lawyer. So he made papers for me to sign and said he would tell the other people so there would not be trouble about my bills.

"A man from the court came and tacked a paper on my door, and put on it a new lock. I showed him that my own lock was a good one, but he just laughed. And then in a few days he came back with people from my friend's wholesale house, and they put my stock in a truck and took it away. Then the fixture people came and took back their things. In those days nobody wanted to go into business and I don't think they sold them for enough to pay what I still owed, but they never told me. Maybe they thought I had enough other troubles.

"It was not long until I began to get letters from people I owed. I asked the credit man why was this, because he had told me the money would be divided up (pro-rated, he said) but it never was. They showed me where it was legal—the papers didn't say anything about that.

"Well, times got better and when I had saved some money I wanted to go back into business. I went to a house I still owed and told the credit man how I stood, and what had happened to my other store. He asked me lots of questions, and when he learned I didn't have much



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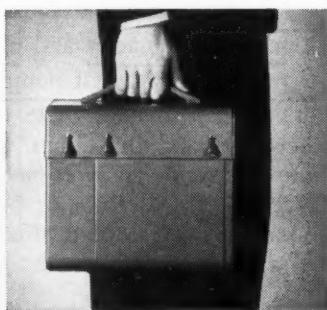
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education, and I could not figure markup and margins or keep good records, he fixed it for me to go evenings to a school to learn those things, also to read better. And he said they would give me some credit—just so much, then I was to pay before the next bill.

"At the school I learned quick. It was not long until I could make figures to show how my own business was doing, and how it stood. I took them to my friend and he said my credit was good again, and I should start to pay off the old bills. I had already paid some on his, and the rest I took care of one at a time, as I could. One day I paid the last one, and I felt good." Mort paused reflectively, then added without rancor, "The house that sold me out had good merchandise, but I never bought from them again.

"So," he went on, "first you should try it on yourself. You have Capital; that is what you know. You have Capacity—that would be knowing how to use your capital, the same as a merchant. And then you come to Character . . . in a credit man I think that would be the same as with any other person. He should remember that in business there are lots of people who believe as I used to—what I have been joking about. A credit man is looked up to by most people in trade and he should make for them an example of right ways to deal. Every day he may be talking and doing business with people who have a policy to be honest and keep a good character on Sundays, but who on other days are not so careful. And unless a credit man is worthy of trust every day, I think it would not be good for him to pass on others."

Is this horse and buggy thinking—more Pollyanna stuff? Must we in business always let practical considerations outweigh the ethical? What good to you or me or anyone has ever come from that? Are we the smartest people on earth, or is it, as Mort implies, that we only think we are? We look about us at a modern, cynical, practical world—cold wars, selfishness, intolerance, strife. I want mine. We demand. Or just plain gimme. Debased money, denied pledges, devalued morals. We can't like it. Maybe we don't have to. Perhaps

we credit men can do something about it?

Yes, I think we can do something about it. It seems to me what Mort in his unlettered way is trying to tell us was clearly expressed by Dr. Vannevar Bush, President of Carnegie Institute, in an address before the faculty and students of MIT. We credit and business people may think our affairs are a far way from the plane of Dr. Bush and his audience, but he was talking to us. His eloquent summation is striking in its similarity to Mort's homely ideas. I think he was talking to all of

LETTER TO DUOCEPHALUS

Dear Mr. Double Header:

(At least that is what one reader, as reported in the February issue, deduces your name to be. I didn't check it.)

Your first article was a humdinger—and hit straight to the point! The same goes for your second article regarding the use of the word "same."

But—what in the world do you mean by these five dollar words found in your article:

Series of polemics

Intrinsically offensive word

Feel constrained to misuse

Enamoured of the expression

Uncommon tenacity and ubiquity

Sententious, flatulent pomposity

I didn't bother to look them up—and I'm sure that 99% of your other readers didn't either! Now, of course, perhaps I have fallen into the very trap you have set—the use of big words to evoke a reply such as this; or perhaps you are using this style to heighten the sarcasm and effect of your article. If the latter, you have well succeeded. Come to think of it—if the former, you have, too.

Keep up the good work—but for we lazy businessmen, please confine yourself to everyday two-bit words. Thank you.

Cordially yours,

D. J. MACKENZIE

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us—he was talking to Uncle Sam. Listen:

"There are many among you who are men of influence today . . . because of your grasp, your courage, your mental power, your integrity. . . . The dignity or lack of it with which we conduct our affairs . . . is but the reflection of the character of the people. The smallest act of a citizen, influencing his friends and neighbors toward sanity and far-reaching wisdom, multiplied a million times throughout the breadth of this land, can determine that the country as a whole will rise in its dignity and strength to live in prosperity and peace, and not succumb in a welter of petty selfishness and confusion. . . . You men . . . and thousands like you throughout this country . . . will determine where we come out . . . each of you who wishes will shift the trends a bit, and is shifting them now; and together . . . you will determine the outcome."

"How," Mort asks, "would you credit men measure the standing of Uncle Sam?"

A hundred millionth-odd piece of Uncle Sam is the man whose face we see each morning in the shaving mirror.

What price integrity?

Price-Fixing Charged in the Box Industry

AN INJUNCTION was asked by New York State Attorney General Nathaniel L. Goldstein March 9 restraining 105 corporations and 196 individuals from fixing prices and limiting competition in the paper box manufacturing industry. At the same time three officials of paper box trade associations were arrested on charges of violation of the State General Business Law. They pleaded guilty.

The State charged that through their association membership the manufacturers maintained a card file of paper box customers. A customer who attempted to buy from a manufacturer from whom he had not bought previously was checked in the card file, it was alleged. If it was found that he had previously bought from another manufacturer.

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—from a New York Advertising Agency

"Your adjuster arrived this morning . . . reviewed a list of 27 accounts . . . settled each to our entire satisfaction. He immediately wrote us your draft for \$2,292, in payment for these accounts. "

—from an Ohio Distributor

"We wish to thank you for your check covering settlement under our policy. There has been a great deal of satisfaction and a sense of security in carrying accounts receivable insurance during these years when credit conditions have been so disturbed. "

—from a Pennsylvania Manufacturer

YOUR insurance program is *not complete* if your Accounts Receivable . . . one of your most important assets . . . is left exposed to the fortunes or misfortunes of your customers. Unexpected credit losses can wipe out profits, can be even more damaging than loss by fire, theft, etc. You can protect your business from this hazard . . . *complete your program of protection* . . . with American Credit Insurance. Let us send you information on how you can insure all, a selected group, or just one account. Phone our office in your city or write AMERICAN CREDIT INDEMNITY COMPANY of New York, Dept. 47, First National Bank Building, Baltimore 2, Md.

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member, the charge stated, a price quotation was refused him or a price

quoted above the manufacturer's prevailing price.

It's All a Question

(Continued from Page 7)

lated activities all of which directly or indirectly affect the functioning of this unit.

With such an operational concept substituted for the 4-C breakdown, not four but *many* factors can be examined; but to isolate one for evaluation or to speculate in a general way as to which of them is more important in a functioning business is both futile and hazardous. A railway train has just pulled into a Chicago station. Who or what got it there? The engineer, the engine, the steam, the wheels, the track, or the et ceteras?

THE material that comes to us for credit evaluation consists of facts, inferences and judgments. For semantic purposes whatever can be verified by direct sensory observation is termed a fact. By scientific method, after many such observations are made, *inferences* are drawn about the relationship of these facts. Such inferences are *not* directly verifiable. You cannot see, hear, touch a relationship. You can only check the inferences about it against further facts. These check-backs may lead a scientist to revise or discard altogether a particular inference. A scientific investigator therefore takes a more tentative attitude toward inferences (his own and others) than he does toward facts.

But he is aware, also, that facts as we observe them are not the same to a number of different observers even under careful techniques and, of course, less so under uncontrolled conditions. Stop at the scene of an accident and you can hear a

dozen different eye-witness accounts of what happened. This is partly because those witnesses saw different views of the accident from different vantage points; partly because physical observational mechanisms differ between individuals; partly because we see only what we attend to, and habit and interest predispose us to attend to certain things and not to others. For these reasons even directly observed facts cannot be accepted as indisputable, but must be rechecked against further observation.

Not only that, but when observed facts are reported, the reporter, whether he knows it or not, to some extent selects the information which he reports. Out of all possible details which he could report, he selects what *he regards* as pertinent to a given situation. To greater and lesser degrees in particular situations, that selection is influenced by the reporter's particular bias or interests, from which no reporter, no matter how hard he tries, can be completely free. Hayakawa brings out this selection-tendency in his discussion of *slant*, in *Language in Action*.

"Business is good" is an expression of judgment. Judgments are greatly influenced by the experience, evaluational criteria, and personal bias of the individual expressing the judgment. So another's judgment means little to us unless we know something of his criteria and the technique by which he formulated it, as well as the general soundness of his habitual approach to problems involving judgment.

In credit work, the data from which we formulate our conclusions

as to the acceptability of a given customer's credit consist of (1) facts which we observe ourselves; (2) those which are observed and reported to us by others, and which are usually intermingled to some extent with (3) their inferences and judgments; (4) pure expressions of opinion or judgment formulated by others. We dare not confuse fact with inference or judgment or treat them as if all were equally valid and dependable. They must be carefully distinguished, and to distinguish them sometimes requires sharp attention and further questions.

TO SUMMARIZE, a credit man who finds that a competitive house is profitably selling an account he had turned down, or who finds his house listed among a bankrupt's creditors may, at least in part, trace his error to one or more of these probabilities:

He confused judgment with fact.

He accepted inferences for facts.

He based his own inferences on too few facts.

He leaned too heavily on his pet C.

He put too much faith in figures.

He failed to discover important differences.

He was not looking for change.

He didn't ask enough questions.

A scientific credit analyst on the other hand is aware that the business which he is analyzing is not "just another" hardware business or soap factory; that it is exactly like no other hardware business or soap factory; that it is a functioning business-unit changing from minute to minute; that the general so-called "outside" business activity with which its affairs are closely integrated is changing from moment to moment, too. He takes a critical, discriminative attitude toward all his data. He asks questions and more questions. And the extent to which he carries his investigation is dictated by the unfolding nature of the risk as the questioning proceeds. It is limited only by considerations of time and expense. He will ask all the questions the profit permits and the risk demands.

??????????

SO THE question-mark is the key that, properly turned, unlocks

doors. The first door may open into only a corridor that leads to many other doors to be unlocked. Fitting the key into each of them the scientific investigator opens doors leading to rooms leading to inner rooms leading to inner rooms, etc. Returning frequently to the main corridor so as not to be lost in a maze, he proceeds with the investigation until as much of the whole as seems advisable is laid open.

But he cannot open *all* the doors. Sooner or later he has to halt his investigations. Because those inner rooms keep leading to inner rooms, expedience requires that he eventually take some things for granted. But the scientific investigator does not take the attitude that he knows without question what lies behind the doors he didn't open. He is *aware* that he has drawn inferences from incomplete data, and that they may not after all be valid.

So the necessary limiting of credit investigation itself turns out to be a risk and a matter of judgment. The fewer doors that are opened, the greater the risk; and the odds are against the analyst who treats closed doors *as if he had opened them*: that is, as if he were sure of what lies behind them.

AFTER discussion of other phases of credit investigation and evaluation, this series of articles will present a comprehensive system of integrated questions directed toward the problems here suggested. These may serve as a guide to those credit men who may wish to formulate a similar but necessarily more particularized set of questions directed toward their own credit problems.

Not only will this system include a lest-we-forget check-list of those questions which we have all asked but may overlook in a particular case; it will also include questions to stimulate new ways of attacking old problems.

To call attention to many possibilities of change and difference.

To indicate a many-coursed, many-branched trail upon which the credit sleuth may pick up his scents and follow wherever the unfolding evidence leads him.

(Continued next month)

Here Is Your Big Opportunity

The fourth annual session of the Graduate School of Credit and Financial Management will open Sunday, August 6, at Dartmouth College in Hanover, New Hampshire. It is time, even now in April, to make plans to be there, for the number of students who can be accepted is not large.

The Graduate School of Credit and Financial Management, sponsored jointly by the National Association of Credit Men and the Credit Research Foundation, and conducted in close collaboration with Dartmouth's Amos Tuck School of Business Administration, has carved an unique niche for itself in the field of advanced credit education. The excellent facilities at its command, the unusually fine faculty it attracts and the high calibre of student it demands combine to make the school of enormous value even to the credit executive of long experience.

Here is an opportunity which should be seriously considered. At the Graduate School of Credit and Financial Management you will be able to compare notes with other executives in your own and diverse industries. You will gain the benefit of the experience and teaching of leading business men and consultants. The whole scope of business management will be presented to you with a breadth that you would not have believed possible. You will gain a much fuller understanding of the policy-making functions of management.

This is something you should look into right away. Why not write now, while you are thinking about it, for a catalogue and full description of the courses covered by the school? The address is

**Graduate School of Credit
and Financial Management**

79 Madison Avenue

New York 16, N. Y.

Advice to the Small Businessman

(Continued from Page 10)

administrator are you? You should select the proper kind of personnel

and train it to represent you capably and to help build your business.

You must organize the effort of your personnel and provide the proper planning of activities to gain the interest and best efforts of your people. It is important that you follow up on the plans you have made, and make sure that the tasks you assign to this personnel are carried out successfully. Your own attention to the business must provide the leadership and good example which a good organization requires. Don't overlook additional ways of promoting efficiency in your business operations and properly rewarding those of your personnel who help you improve your business. You must learn how to manage your own time and efforts so that you can devote some personal time, effort and thought to each phase of your business operation.

One of the tests of a good administrator is his ability to distinguish the important from the unimportant and to concentrate his attention on those things which will pay the greatest dividends to him and his business. Another test is his ability to delegate authority and responsibility to others in his organization who have earned such recognition and who can benefit the business accordingly.

LIVING from day to day may be a good way to avoid worry, but it is not recommended as a key to successful business operation. Those of us engaged in credit work are not interested alone in what an account did last month, nor how it is being handled today, but also in what the future situation may be. Most of us are familiar with the old observation that "Coming events cast their shadows before them," which leads me to ask: are you prepared for the future?

The future of any business includes a number of contingencies, some of which may seriously affect the financial condition of your affairs. Fortunately those which may occur with the least warning are those for which one can provide the most definite protection. Some of those business hazards, as I think of them, are the losses which can occur due to fire, theft and dishonesty, all of which can and should be adequately covered by insurance.

Of importance also, is the protection you need for the public lia-

bility that may arise from accidents and injuries which can occur in your place of business or elsewhere as a result of your business operations. Compensation insurance for your employees is additional protection you should have for them, as well as for yourself, even though your state laws may not require it.

Finally there is the additional hazard which you face through the death of key personnel. More and more we are realizing that business success depends on individuals, the loss of whom may have a direct bearing on future success. Life insurance for the benefit of business can cushion the shock of such a loss, even though it can never provide adequate protection. The key personnel I am talking about includes you, as owner or manager.

Obtaining such protection is only the first step, however. It is equally important that you review your insurance program periodically and that you make sure this protection is kept in line with current conditions and current values. These points are checked quite carefully by most credit departments, for their experience has indicated the difficulties which can arise and the losses which occur as a result of overlooking such contingencies.

THE future of your business is also subject to less tangible hazards. Your only protection against these, is the reserves you have been able to build up, and your own foresight, good judgment, ingenuity and planning which you can bring to bear on such problems.

Are you prepared for possible declines in sales volume, which may occur as the result of changes in consumer demand, changes in the general economic situation, local conditions such as disruption in factory payrolls, torn up streets, shifting business districts, and similar situations? Are you prepared to take advantage of additional payrolls provided by new industries, new and advantageous locations, new products in demand, new ideas for promoting existing products?

Are you keeping up to date with what is going on in your area, nationally, and particularly the trends in legislation and public opinion as they may affect you and your business? The latter two are becoming

increasingly important to you. Just one word, "Security," may have a profound influence on your business in the next few years—as the need and demand for illness and pension benefits increases.

LET me read a quotation from an editorial that came to my desk a few weeks ago. "Assume that social security payments to each of your employees at age 65 would amount to \$50 a month and that you would like or are asked to increase that to \$100 a month. Assume also that the average age of each employee is 45 and that he or she has been with you for 20 years and still has 20 years to work to get a pension at age 65. This means that you now owe or should have a fund to cover 20 years of pension accumulation.

"According to the most conservative actuarial calculations, therefore, you now have an accrued liability of \$3,000 per employee which must be paid in order to get such a plan started." If you have ten employees your liability is \$30,000—if they number 100, your liability is \$300,000, and so on. Are you prepared for this trend in legislation and public opinion?

What about the continuity of management for your business? The day will come when you will want to take it a little easier. Are you training your successor so that your business will still have good management? Are you protecting yourself in this way against the contingency of an extended illness? Will the business continue to be successful after you are no longer active or available?

TIMES have changed, and will continue to change. Among such changes is the conception of the responsibilities of the owner and manager of a business. No longer can he consider himself entirely independent and responsible only to himself. While he may continue to own his business, his responsibilities have broadened until he has become a trustee of the money he takes in and pays out. Those who now are looking to you for the proper discharging of these responsibilities include your customers, your employees, your community and your industry.

Your customers are more and more demanding a steady, qualified and continuing source of service and supply. They expect you to handle the money they pay you in such a way that you can continue adequately to satisfy their needs. They are raising their standards by which they determine how well you do your job. If you do not continue to carry out this responsibility satisfactorily, they will go elsewhere.

Your responsibilities toward your employees are increasing. Good working conditions; training and opportunities; adequate pay and incentives; time to permit them to develop themselves by taking part in community activities; steady employment and future security are some of the things they are looking to you to provide out of the income they help you create.

Your suppliers also consider you a trustee for the merchandise furnished on an open account basis; also the time and effort spent in helping to stimulate customer demand, and the expense of its personnel which services your needs. It takes a lot of money to develop ideas, secure raw materials and equipment, train workers and manufacture and distribute products. Suppliers, too, face the same problems of business operation that you are facing. There is a mutual obligation and responsibility, which requires continued attention on both sides.

Your community also needs some of your resources, particularly in the form of time, effort and ability. It is important that you take an active part in civic affairs and share your abilities with others in your local business associations. You will benefit from helping to build a strong, progressive community in which you and your employees can enjoy living and in which your business can continue to prosper.

ARE you a good citizen of your country? Do you take an active interest in the selection of people who represent you and your community in our national government? Keeping them informed of what you expect as good government is one way you can do your part to help build a strong nation.

Have you recognized your responsibility to your industry? Don't overlook the value of giving others

the benefit of your ideas and receiving the benefit of theirs. Don't underestimate the value of helping your industry to become stronger, by making your business stronger year after year and thereby also contributing to the continued building of a stronger nation.

It is also good business management to realize our obligations along these lines, to do our part and to help secure our own future. Each of us must work to provide satisfactory answers to these questions, some of which, in conclusion, I should like to repeat.

Are you adequately and properly financed?

Do you have adequate records and are you obtaining the maximum benefit from them?

Do you know where you are going?

Are you a good housekeeper?

How good an administrator are you?

Are you prepared for the future?

Are you aware of all of your responsibilities?

Those of us engaged in credit work will concentrate on helping you to answer these questions successfully, so that we can help you build stable, strong and successful organizations.

Take good care of your business, and it will take good care of you.

ZEBRAS

Westward Ho!

This is the last call for Zebras to attend our National Round-up in Los Angeles in May. Delegates will be leaving for the West Coast shortly after this article is published. The Los Angeles boys have been burning the midnight oil perfecting plans to make this Round-up an outstanding event. Uniforms are ordered, men have been given assignments, entertainment and hospitality has been provided for and now we await your arrival. We will be easy to identify and some of us will be on hand constantly to assist you in any way that we can. Therefore you should not be in a "fog" as to where to go or how to get there. "Ask A Zebra"—he will give you the answer.

There is one point that should be stressed. If you expect to participate in Zebra activities, a Zebra card will be necessary. If you do not have a Zebra card, contact your local secretary or apply for one from the Grand Exalted Super Zeb—Mark Hutchison, 301 Washington St., Oakland, California. It would be a shame to come all the way out to California and then not participate in the fun. This Convention will not be a half hearted affair. It will be an event that you will remember for a long time. If you don't believe that, ask someone who attended the Los Angeles Convention in 1934. This one will be bigger and better.

Better climb aboard brother and enjoy yourself. "It is later than you think." So come on out—meet your brother Zebras from all over the country—you will never regret having made the trip.

But, don't forget—always "Ask A Zebra"—you'll get the right answer.

A. E. KERN
Pacific Ranger

How You Can Reduce Extra Expense



Normally, good management is the answer. But if the normal routine of business is upset by a fire or another catastrophe that forces you to continue business in temporary quarters, with rented bookkeeping and calculating machines, you'll need Extra Expense insurance. A more detailed explanation of Extra Expense insurance will be mailed you on request.

THE PHOENIX-CONNECTICUT GROUP OF FIRE INSURANCE COMPANIES, HARTFORD, CONN.

Combined Statement December 31, 1949

Assets	\$128,195,440
Liabilities	63,268,050
Surplus to Policyholders	64,569,075
Losses paid to December 31, 1949	462,311,853

**"so you think
ACCOUNTING COSTS
can't be cut . . .**

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SIMPLIFIED
Accounts Receivable—
and Chopped Costs in Half!**



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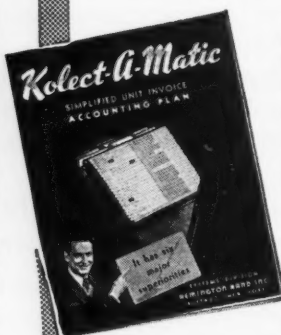
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ASSOCIATION NEWS

Credit and FINANCIAL MANAGEMENT

LOCAL NATIONAL

54th Annual Credit Congress Will Be a First Class Affair, Los Angeles Association Says

Fine Speakers, Top Flight Entertainers Promised at Congress

YOU have to hand it to the members of the Los Angeles Credit Managers' Association! When they set out to be hosts to a convention it is going to be a convention. No half measures for these men. They claim, and woe unto him who dares dispute them for he will have to eat his words, that this is going to be the biggest and best convention ever, and certainly it should be for they have been working like coolies for the past twelve months to make it a success.

Conventions are odd things. There are those who question whether they are even excusable things. Invariably the critics are people who have never attended a convention. Henry H. Heimann, in one of his monthly business reviews, however, summed up the Credit Congress succinctly, in fact in four words: "this is no junket." And it isn't.

Mind you, it can be. What a man gets out of a convention depends on the man. However, meet but one or two fellow credit executives from another city or engaged in another industry. Sit down, swap problems and ideas and the trip has already paid for itself.

If things are bad in one state, and you live in another, you will eventually hear about it when the statistics are tabulated. Sit down and talk with a man from that state and you will be months ahead of the statistics. If your department isn't "clicking" perhaps after talking to the first man you meet you will be able to lay your finger on the trouble. Meet a man this year and call him Mr. Jones. Meet him next year and he's "hello." Meet him two years from now and he's "Ed." And who will deny that, in credit work particularly, such personal acquaintance is the most valuable help a man can have. A man who comes home from a convention with *nothing* to show for it just doesn't know how to attend *any* meeting.

And the "hotel corridor" aspect of a

convention, though important, is by no means all. At all credit congresses—and this year's is no exception—speakers of real quality with a real message to give are secured so that the executive can gain an up to date perspective on what to expect in the coming year.

The speakers to address the 54th Credit Congress at Los Angeles are of the first stamp. Among them are, beside Henry H. Heimann who will, as usual, deliver the keynote address, Lieutenant Governor Knight of California; Charles B. Coates, vice chairman and general manager, Citizens' Committee for the Hoover Report; Representative R. M. Nixon of California; Dr. Wallace Sterling, president of Stanford University; Dr. Kenneth McFarland, superintendent of schools, Topeka, Kansas; Dr. Clarence Dykstra, provost of the University of California at Los Angeles, and former Congressman Samuel H. Pettingill.

All this does not mean that entertainment is unnecessary at a convention. Imagine a convention, particularly in Los Angeles, without any entertainment! It is just as important that a delegate be provided with some recreation as it is to provide him with the mental stimulus which he came to find.

There will be no lack of entertainment during those four days and nights from the 14th to the 18th of May. In fact the Los Angeles Association has even chosen "Miss Credit of 1950". (Her picture is on page 31.) There will be dinners, receptions, dancing, vaudeville shows with top Hollywood talent, tours of the city and many more that must be left to the imagination since space is short.

To make sure that their guests have the best possible time and get the most out of their visit, Los Angeles has turned over to the local herd of Zebras the task of making visitors welcome and contented. The Zebras first came into being in Los Angeles in 1934 when the last Los Angeles convention was held. At that time it was felt that some way should be devised by which the hosts could be identified quickly. Hence the Zebra uniform. (See page 31.) Since then, of course, the Zebras have done

A very extra special attraction is promised for the credit women's banquet on Wednesday, May 17, during the 54th annual Credit Congress at Los Angeles. Edith Head, fashion designer for Paramount Pictures, has been secured as the featured speaker. Miss Head was this year's Academy Award winner for her costumes in the motion picture "The Heiress."

yeoman service in recruiting new members for the Los Angeles Association and brother herds in other cities have devoted themselves to the same excellent purpose.

All in all, if the Los Angeles Credit Managers have forgotten anything which could contribute to delegates' edification or comfort they will have to wait until after the convention to find out. And if they have it certainly will not be through lack of effort.

Spring Planning Meeting is Held At Rochester, N. Y.

Rochester: The Sheraton Hotel was the scene of the annual spring planning meeting of district two on Saturday, March 18. All Associations in the district were represented. In addition delegates from Baltimore, Philadelphia, Allentown, Pa., and from the Worcester Assn. in district one.

The main business of the meeting fell under two heads—the choosing of a representative for the National Nominating Committee, and the planning of the Northeast Conference to be held in New York October 19-21. This is to be a joint conference of districts one and two.

The theme of the conference will be "Credit Builds Sales." The program, briefly, will consist of a reception and get-together on Thursday evening, October 19; a morning session with two speakers, luncheon with speaker, afternoon trade group meetings and a banquet on Friday, October 20; and—an innovation—a breakfast and forum discussion on Saturday, October 21.

Des Moines: The Des Moines Credit Women's Group celebrated its tenth anniversary at a birthday party held March 13 at the Kirkwood Hotel. Thirty-seven members were present at the meeting.

You Can Strike Paydirt At The Group Meetings

by ROY WORTH
The Electric Corporation
Los Angeles

ONE hundred and one years ago, gold was discovered in California. On May 16, 1950, the credit fraternity will again make a "gold strike". Unlike the gold discovered by our forefathers, which had no value unless spent, the "gold strike" of 1950 is the fraternity, information and ideas that will be "mined" in the Industry Meetings.

The credit fraternity has never receded from the GOLD STANDARD of ideals and ideas developed at these meetings. Instead of devaluation there has been through the years a constant increase in value and a more widespread recognition of the meaning of these meetings as a contribution to economic stability.

Pulling together with a singleness of purpose, the credit fraternity can do their part in defeating the ideologies being foisted on our people today, and bring them back to sound business principles.

Yes, you credit men and women can "strike gold" in the industry meeting to be held Tuesday, May 16, as a part of the 54th Annual Credit Congress of the National Association of Credit Men in Los Angeles, California.

PROGRAMS for the various industry meetings are now complete. A review of the programs indicates that the Los Angeles meeting will equal or excel in interest those of previous years. The chairman of each meeting has directed his efforts toward incorporating in his program those items of particular interest to his industry at this time.

With changes taking place daily throughout all industries, thus requiring new plans, new methods and new ideas, the Industry Meeting is designed primarily to permit the exchange of ideas and the dissemination of information on these new problems and the proper method of meeting them. As a result, the chairman of the various industry meetings have in the preparation of their programs provided more time than usual for thorough discussions by means of panel and open forum periods.

Well known speakers have also been selected by a number of groups. Each topic presented is in the nature of an elaboration upon and not a repetition of discussion of credit problems as presented in the main Credit Congress sessions, thus effecting a continuity which will make it of importance and interest to everyone to follow through on the entire program of the convention, attending both the main sessions and the industry meetings.

A resume of the industry meeting programs appears in the March issue of CREDIT AND FINANCIAL MANAGEMENT.

Since then additional subjects for discussion and speakers were included in the programs. The following industry meetings are scheduled in Los Angeles, May 16, in connection with the Credit Congress of Industry:

Advertising Media
Automotive
Bankers
Brewers, Distillers and Wholesale Liquor
Building Material and Construction
Chemical and Dye
Confectionery Manufacturers
Drugs, Domestic and Pharmaceuticals
Electrical and Radio Manufacturers
Electrical and Radio Wholesalers
Feed, Seed and Millers
Fine Paper
Floor Coverings and Furniture
Food Products and Allied Lines Manufacturing
Food Products and Confectionery Wholesalers

Footwear
Hardware Manufacturers
Hardware Wholesalers
Insurance
Iron and Steel
Machinery and Supplies
Meat Packing
Non-Ferrous Metals, Raw Materials and Allied Lines
Oil Well Supplies
Paint, Varnish, Lacquer and Wallpaper
Paper Products and Converters
Petroleum
Plumbing, Heating, Refrigeration and Air Conditioning
Public Utilities
Textile
Wearing Apparel

If a complete program is desired on any particular industry meeting, please contact S. J. Haider, National Association of Credit Men, P. O. Box 1398, St. Louis 1, Missouri. He will be glad to give you the information you desire

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Salt Lake Hardware Co.
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Salt Lake 9, Utah
W. H. Jamison
c/o Bay City Iron Works Inc.
475 4th St.
Oakland 7, Calif.

Ex-Officio

Robert L. Simpson, New Orleans, La.
Paul W. Miller, Atlanta, Ga.

HEY! WHAT'S THIS?



Pictures of pretty gals in Credit and Financial Management? It's admittedly a little outside our line but how could any editor resist running a picture like this?

You'll be seeing her in Los Angeles next month. Her name is Barbara Ann Knudsen, and she's a starlet under contract to Paramount. And—here's where you come in—she has been selected to appear at the 54th annual Credit Congress as

MISS CREDIT OF 1950

Cleveland: The Cleveland Association of Credit Men has a new home—Suite 319, The Arcade—which runs from Euclid Avenue to Superior Avenue. Open house was held in the new offices on Friday, April 14.

Secretaries Plan Post-Convention Meet at San Diego

ELABORATE plans are being made for the Secretary-Managers' Conference to be held at the Hotel Manor, San Diego, immediately after the 54th Annual Credit Congress. These conferences are an annual institution and give the Secretary-Managers a once-a-year opportunity to meet all other Secretary-Managers irrespective of region.

The program for Friday, May 19, consists of a discussion of Credit Interchange and ideas for its better operation. Since the Credit Congress does not finish until the previous day and the Managers have to make the journey from Los Angeles to San Diego, only this one session is planned for Friday.

Saturday, May 20, is designated a day of play. National Vice President A. J. Sutherland, and San Diego's Secretary Laurence Holzman have planned a tour of the city by automobile, a cruise on the Bay on an aircraft carrier, or a new submarine, and an evening trip to Mexico.

A session on Adjustment is planned for Sunday afternoon, May 21, under the direction of George W. Brainard of the Board of Trade of San Francisco.

Plans for Monday, May 22, call for a discussion of Collections in the morning and Membership and Association Services in the afternoon.

Foreign Traders List Convention Discussion Panel

Wilbert Ward, vice president, National City Bank of New York will be chairman of the International Trade session sponsored by the Foreign Credit Interchange Bureau and scheduled for May 17th in conjunction with the 54th Annual Convention in Los Angeles.

This session will open with an international Trade Luncheon with Tom B. Coughran, vice president, Bank of America, as speaker. Mr. Coughran's talk will cover significant aspects and current developments in our international trade.

William H. Schroeder, vice president, Citizens National Trust & Savings Bank will be chairman of the round table conference on foreign credit, collection and exchange problems which will convene immediately following the luncheon. Assisting Mr. Schroeder will be a panel of discussion leaders which already includes such outstanding experts as Owen L. Carlton, Central National Bank of Cleveland; George Curran, Bank of America; Franklin G. Emrick, Smith Welding Equipment Corporation; F. R. Frazer, Jantzen Knitting Mills, Inc.; C. H. Johnson, Tobin Packing Company; Russ Jamieson, Otis, McAllister & Company; W. N. Lawson, Medusa Portland Cement Company; A. H. Mader, American Chicler Company; J. F. Madden, Nicholson File Company; Wm. H. Watts, Ballard & Ballard Company; J. C. Wiesner, California Packing Corporation, and Rudolph G. Zepeda, Valley National Bank.

The Round Table agenda will include questions and problems regarding countries, dollar shortages, foreign credit terms, collection experiences, discounts, and export, import and exchange controls.

All delegates interested in foreign trade are cordially invited to attend both the International Trade Luncheon and the round table conference.

Luncheon tickets will be on sale at the convention registration desk.

Kansas City Credit Men Organize New Branch at Topeka

Kansas City: The Kansas City Wholesale Credit Association has expanded its coverage of the Western Missouri and Eastern Kansas territory with the formation of a new unit at Topeka, Kansas. Sixty-seven persons attended the organization meeting representing fifty-one firms. Stearns N. Belden, Seymour Packing Co., Topeka, acted as M. C.

The Kansas City Association now has a man—Mr. C. P. Short—working full time on its Springfield and Joplin units. As a result a large increase in membership is expected.

THIS IS A ZEBRA



When you arrive at the Union Station in Los Angeles for the 54th annual Credit Congress you will find him waiting to help you. When you arrive at your hotel you will find him too. If you want to know where you are, where you should go, how to get there or any other question about Los Angeles or the convention

ASK A ZEBRA

Paul Kerin Suffers Heart Attack; Making Progress

Dallas: Paul A. Kerin, Secretary-manager of the Dallas Wholesale Credit Managers' Association, who has been handling the Adjustment work of the Association from his bed in his home since his accident at last year's convention, suffered a light heart attack on Thursday night, March 16. We are happy to report that though he is not receiving visitors, he, nevertheless, is recovering and his doctors are very pleased with his progress. Also his leg is healing faster than before.

Economist Analyzes Trends

Waterbury: Martin R. Gainsbrugh, Chief Economist of the National Industrial Conference Board, gave an address on "Economic Trends, Spring 1950" at the April 5 meeting of the Waterbury Association of Credit Men.

Fred Black Retires After Fifty Years



San Francisco: Fred W. Black, district credit manager of Swift and Company, retired March 1 after fifty years of service. He had previously handled credits for his company in St. Joseph, Missouri, Atlanta, and Chicago. The Board of Directors of the Credit Managers Association of Northern and Central California held a dinner in his honor at which he was presented with a gold pin and life membership in the Association of which he served two terms as president. From 1943-47 he was a National Director.

Sixteen past presidents were present at the dinner which was held at the Bohemian Club. Seated round the table counterclockwise are M. C. Ulmer, current president; Mr. Black; C. E. Bean,

Charles H. Merrill and G. N. Lantz, all past presidents; Paul Pfeuger, past National Vice-President; National Director Don Messer; Henry Hyland and C. H. Mann, both past presidents; W. J. Hempy, vice-president; F. W. Stone, J. R. Collins and Robert L. Allen, Director; Al Potter, manager, sales and promotion; Charles Sondhaus, Jr., E. H. Price, director; O. H. Walker, executive manager-secretary; J. E. Hamilton, J. W. Phillips and B. F. Edwards, Jr., directors, and nine past presidents: O. C. Levo, Thomas F. Meehan, H. T. Kelly, A. I. Hermann, J. S. Ferns, J. F. Jensen, D. I. Bosschart, Eugene S. Elkus, and C. H. Sondhaus. Messrs. Bosschart and Elkus are past National Presidents.

Youngstown: Dale Brown, Assistant Vice President, National City Bank of Cleveland, spoke on the subject, "Public Relations Is Now a 'Must' in Business", at the March 31 meeting of The Youngstown Association of Credit Men.

Government Finance Expert Describes Agency at Washington

Washington: At a dinner meeting of the Washington Association of Credit Men on March 21st the Hon. O. K. LaRoque, member of the Federal Home Loan Bank Board, addressed a representative group of the Washington membership.

Mr. LaRoque's talk was most entertaining and involved a splendid description as to the workings of the Home Loan Bank System. As an example of the high level administrative job this Agency is doing Mr. LaRoque pointed out the success enjoyed by the Home Owners Loan Corporation, one of the subsidiary agencies maintained by the Bank Board. In addition to saving the ownership of one million homes, the HOLC has repaid its original investment and promises to turn over a surplus of approximately \$20,000,000.00 to the Government upon its complete liquidation. The operations of the Home Loan Banks and the Federal Savings and Loan Insurance Corporation were also discussed in some detail by Mr. LaRoque.

A former President of the Home Loan Bank of Winston-Salem, Mr. LaRoque is not only a national figure in the field of finance but an outstanding public speaker.

Economist Gives Talk at Chicago On World Affairs

Chicago: Dr. William Montgomery McGovern, Department of Economics, Northwestern University, Evanston, was the guest speaker at a meeting of the Chicago Association of Credit Men, Wednesday evening, March 8. His subject was, "Where Are We Going?"

Dr. McGovern spent much of his boyhood in the Philippines, Japan and China. Later he was a student at Oxford University and also taught Chinese at the University of London.

During World War II he served in the Naval Office of Strategic Services, frequently being sent on missions which took him to every theatre of operation.

The speaker referred particularly to the present and future relations of the United States and Russia.

Names were placed in nomination for officers and directors to take office May 1.

400 Credit Men From Four States Meet at St. Paul

St. Paul: About 400 credit executives attended the 34th annual Credit Conference in St. Paul at the Lowry Hotel March 17 and 18. Members of Credit men's associations in Minnesota, North and South Dakota, and Wisconsin attended. The Canadian Credit Men's Trust Association Ltd. was represented by nineteen members from Winnipeg. The St. Paul Association of Credit Men was host and C. P. Reis, association director, was program chairman.

The theme of the Conference was the 4th "C" of Credit-Conditions under which credit will be granted in 1950. Carrying out this theme, the speakers gave a well-rounded picture of conditions in agriculture, labor, business, government and taxes. A. F. Lockhart, St. Paul labor editor, presented labor's case; K. V. Bjornson, associate editor of the St. Paul Dispatch, spoke on government and taxes; F. L. Parsons, of the Federal Reserve Bank, gave the 1950 outlook in agriculture. David A. Weir, secretary of the National Association of Credit Men, was the featured speaker at the banquet March 18.

The Conference opened Friday night, March 17, with a general social hour, at which guests were entertained with music and comedy. A buffet supper was served.

Alice Muldoon, president of the St. Paul Credit Women's Club, assisted by several club members, arranged an attractive party for the credit men's wives Saturday. Mrs. H. L. Cummings, wife of national director Harold Cummings, was chairman of the hostess committee.

New Officers Named By Waco Association

Waco: Charles G. Hawkins, First National Bank has been elected president of the Waco Wholesale Credit Men's Association. Other officers who will serve during the coming year are: Jesse A. Milam, Cooper Co., vice-president; O. B. Lusk, Clifton Manufacturing Co., secretary-treasurer and L. W. Mayers, Behrens Drug Co., councillor.

E. B. Moran Addresses Boston NIC Chapter

Boston: The Boston chapter, National Institute of Credit, and the Boston Association of Credit Men held a joint meeting March 28 to hear E. B. Moran, manager, Central Division, NACM, speak on the credit side of selling.

April 28 will be the date of the last meeting of the season. The guest speaker will be Elizabeth Lynch, credit manager of E. T. Slattery Co.; her topic will be "Opportunities Unlimited." New officers will be elected at this meeting.

Honolulu Secretary Offers Hawaiian Tour After Los Angeles Convention

Honolulu: From the time they are greeted upon arrival with hulas, musicians, fresh flower leis and representatives of the Honolulu Association of Credit Men and the Hawaii Visitors Bureau, National Association of Credit Men post-congress visitors to Hawaii will have one of the most comprehensive vacation itineraries designed for this summer.

Blueprints for entertainment of NACM call for itineraries for both sea and air travelers. The trip on the liner, Lurline, is a four and one-half day luxury cruise for those who can spare the time for the crossing. However, for those with busy time schedules and yet who do not wish to miss the mid-Pacific holiday, there is the commuter's trip of less than nine hours by luxurious airliner.

Besides especially arranged tours of Hawaii's top pineapple and sugar industries, historic Pearl Harbor and the Pacific National cemetery in punchbowl crater, trips among neighbor islands of Hawaii, surfboard riding, outrigger ca-

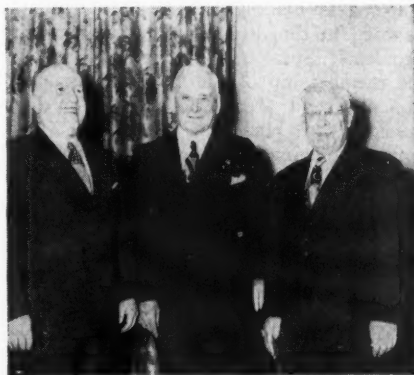
noeing and golfing as special guests of Hawaii's top private clubs, fishing festival, Japanese teahouse dining, there will be several "personalized" events to be hosted by local credit executives.

Among these is a luau (native feast), considered one of the most unique holiday experiences offered in the islands. Hulas, flower leis and an exotic menu are all integral parts of a Hawaiian luau.

Transportation and hotel accommodations in Hawaii are considered among the most modern found in any travel mecca. Arrangements are being made to give visiting credit men and their families "priority" bookings in the usually heavy summer travel season in the islands.

Alvin Smith, Secretary, Honolulu Association of Credit Men, P. O. Box 3738, Honolulu, 10, T.H., has been named chairman of the post-congress entertainment committee in Hawaii and inquiries on the tour should be addressed to him for prompt reply. Mr. Smith also will be at the congress as a delegate from Hawaii.

Founders' Night Honors Detroit Past Presidents



William A. Petzold, oldest living president of the Detroit Association, (center) with National Director H. J. Lowry (right) and past National Vice-President Harry J. Offer.

On February 28, 1950, the Officers and Directors of the Detroit Association of Credit Men held a meeting in the Founders' Room, Book-Cadillac Hotel, to honor all living Past Presidents of the Association. Of the twenty-six, twenty-one were in attendance.

Dean of those at the meeting was Mr. William A. Petzold, Vice-President of the J. L. Hudson Company, Detroit Association's tenth President and its oldest living Past President both in age and year of administration, 1911.

An individually embossed framed certificate of achievement was presented as a memento for services rendered in the Detroit Association of Credit Men to each Past President who attended the meeting.

Kansas City Planning Three New Trade Groups

Kansas City: An oil well supply group is in process of formation by the Kansas City Wholesale Credit Association. Such a group has been in existence for some time and has been very successful in both Los Angeles and Houston and similar groups are planned in Dallas and Oklahoma City. Kansas City is also planning an agricultural group.

Philadelphia Group's Annual Credit Class Night Features Forum

Philadelphia: The annual meeting of the credit classes sponsored by the Credit Men's Association of Eastern Pennsylvania was combined with the Association's monthly meeting March 29.

Henry G. Buckwalter, Assistant Director of Education, NACM, spoke on "Opportunities in the Field Administration", following which a panel discussion on the "Current Credit Problems" was held.

Two New Associations Welcomed Into National Organization; Total Now 134



E. Betournay



Joseph Lind

TWO new Associations have been welcomed into the official family during the past few weeks, one in the far West, the other in the Rocky Mountain district.

The Cascade Association of Credit Men, with headquarters in Eugene, Ore., was organized a few months ago and is now affiliated with the National Association. Eugene, the lumber capital of the nation, started with seventy members. This number, the Association expects, will be materially increased.

Officers are Joseph Lind, owner and manager, Oregon Supply Co., president; William R. Hansen, Jr., credit manager, Pioneer Wholesale Grocery Co., vice-president, and Don D. Goode, secretary.

The Association's address is 935 Oak Street, Eugene, Ore.

The Southern Idaho Association of Credit Men was organized about two years ago but became affiliated with the parent Association only recently. Their charter membership was sixty-four wholesalers, manufacturers and banks.

Ed Betournay, credit manager, General Electric Supply Co., is president of the Association and Mrs. Bertha Williams, credit manager, Salt Lake Hardware Co., is vice-president. James Phelps is secretary and the Association address is 611 Grove Street, Boise, Idaho.

The addition of these two Associations now brings the total National network to 134.

News from

CREDIT WOMEN'S GROUPS

Tacoma: The Credit Women's Group of Tacoma is holding a series of meetings devoted to the discussion of basic credit problems. Speakers are recruited from the membership of the Tacoma Association of Credit Men. Subjects up for discussion are Handling Delinquent Accounts, Opening New Accounts, Handling Credits, and Financial Statement Analysis.

Cleveland: The March meeting of the Cleveland Credit Women's Club was held on Tuesday evening, March 14th, at Monaco's Restaurant in downtown Cleveland. Mrs. Dorothy Fuldheim, well known radio commentator and public speaker, addressed the group on "The Current Picture."

Word has just been received that Miss Vella deArango, Credit Manager for the Hubbs & Howe Company, has been named Supervisor of Accounts, for her company. In this capacity she will supervise credits and accounts for Erie, Pa., Rochester, N. Y., Greensboro, N. C. and other cities covered by Hubbs & Howe and will travel to those points. Miss deArango is a past president of the Cleveland Credit Women's Club, and an active worker for the local Association.

Denver: The Credit Women's Club of Denver held their regular meeting at the Democratic Club on Monday evening, March 20th. Election of officers was held, and the following officers were elected: President, Georgia Purdy; Vice President, Alta Sethaler; Secretary, Margaret Rogers; Treas., Wilma Male.

Our speaker of the evening was Mr. Leon Bennett, who is an exclusive hat designer. He gave us all a lot of new ideas and gave a very interesting talk.

Pittsburgh: The Credit Women's Group of Pittsburgh met March 22 at the Congress of Clubs. The guest speaker was Shepard H. Patterson, assistant vice-president, Peoples First National Bank & Trust Co. His subject was "Current Problems in Financial Statement Analysis." He had previously spoken on the same subject at the Credit Club.

Kansas City: "Alice in Fashionland," a fashion show, was the feature at the dinner meeting of the Credit Women's Club held at the Business and Professional Women's clubroom, Wednesday, March 8. Mrs. Helen Craighead, president, had charge of the program.

The presentation of Mary Dean dresses and dean jones sportswear was made under the direction of Miss Ione Young, Advertising Manager of Dean Jones, Inc. Mrs. Verda Hughes and Miss Mable Fitch, club members, were the commen-

tators. Preceding the fashion show, Miss Mary Jane Truman, introduced by Mrs. Beatrice Bateman, made a brief talk.

Oakland: The monthly meeting of the Wholesale Credit Women's Group was held at the Virginian on March 20th, a dinner meeting with a good attendance. It was election of the new Board of Directors—after the main meeting the Board of Directors called a special meeting and elected the officers for the coming year. The program for the entire coming year is to be set up, there is to be a membership drive, and several of the memberships are going to take advantage of the Scholarships made available by the group.

Louisville: The Credit Women's Group of Louisville held two meetings during the month of March. On March 2 they held a card party and their fund is considerably enriched because of it. On March 17 during dinner meeting the following officers were elected to service during the coming year: Antoinette Schweitzer, President; Lenore Lyon, Vice President; Ruby Lee Felton, Treasurer; and Montana Lumpkins, Secretary.

Boston: The 42nd meeting of the Credit Women's Club of Boston was held March 9 at the Pioneer Hotel with 39 members and guests present.

The guest speaker was National Director E. William Lane, American Screw Co., Providence, who spoke on remuneration of credit executives. President Joseph Madden and Secretary Henry Farrell of the Rhode Island Association were among the guests.

New officers for the coming year were elected as follows: Mrs. Elsie Gregg, Andrew Dutton Co., president; Miss Marion Rogers, U. S. Steel Supply Co., vice-president; Miss Norma Kelly, Whiting Milk Co., treasurer, and Miss Sarah Serson, Reid Murdoch & Co., secretary.

Amarillo: The Wholesale Credit Women's Club featured the installation of officers at the March session in the Her-ring Hotel.

Taking over their official duties were: President, Mrs. Jo Black; Vice-president,

Mrs. Adra Hurt; Secretary-treasurer, Mrs. Doris Lieurance. Mrs. Blanch Pumphrey's 40th anniversary in the paper business was observed.

During the business discussion, the club voted to establish a lifetime membership for a worthy individual in the San Jacinto Youth Center.

Detroit Association Joins in Sponsoring Business Conference

Detroit: The annual Business Communication Conference sponsored by fourteen Detroit professional associations was held at Wayne University April 13. The Detroit Association of Credit Men again assisted in the preparation of the conference and sponsored a lecture on "Sales Promoting Credit and Collection Letters" by Helen M. Sommers, Trojan Hosiery Mills, Indianapolis.

Cleveland Credit Men Visit Three More Plants

Cleveland: The Cleveland Association of Credit Men held another plant visitation meeting under the auspices of the Education Committee March 23.

The evening's program commenced with a visit to Joseph & Feiss. Dinner was served in the Joseph & Feiss' dining room, following which the members split up into groups to inspect American Greeting Publishers, Inc., The Glidden Company, and the World Publishing Company.

Johnson Promoted

Birmingham: Searcy H. Johnson, Jr., a graduate from the Executives School of Credit and Financial Management last September, has just been elected by stockholders of the Moore-Handley Hardware Co., Inc., Birmingham as secretary of the Corporation. Mr. Johnson has been active in credit work and holds the Associate and Fellow Awards of the National Institute of Credit.

Milwaukee: Dr. William M. McGovern addressed the Milwaukee Association of Credit Men March 29 on the subject "Where Are We Going?"

Situation Wanted

Credit Man, presently head of credit department of large midtown New York bank, anxious to prove worth to commercial organization in Metropolitan area; five years diversified experience; college graduate; age 32. Address reply to Credit and Financial Management, A-1.



54TH ANNUAL CREDIT CONGRESS — LOS ANGELES, MAY 14-18

CREDIT AND FINANCIAL MANAGEMENT, April, 1950

Inter-Association Co-operation Pays Off in Bankruptcy

A STRIKING example of inner-Association cooperation resulted recently in the prosecution and sentencing of three principals in a fraudulent bankruptcy case.

Two college graduates, man and wife, operated a prosperous restaurant business in Fort Dodge, Iowa. The husband encountered financial difficulties and made an assignment for the benefit of creditors which was followed by a bankruptcy proceeding in the Northern District of Iowa. Later the husband bought a car and removed several thousands of dollars out of the failing business, turned the money over to his wife and father and moved to Southern California with his wife. The father sent the concealed money to the bankrupt who bought a restaurant in Long Beach.

For a long time the bankrupt's whereabouts were not known. Finally, however, the news leaked out that he was in California. Don E. Neiman, Des Moines secretary and attorney to the trustee, explained the facts to the Los Angeles Credit Managers' Association who instituted ancillary bankruptcy proceedings against the bankrupt. During the course of the examination all three principals perjured themselves and eventually were arraigned for perjury as well as for concealing assets. The husband was fined \$2,000 and was given a suspended jail sentence. His wife and father also received suspended jail sentences.

Louisville Hears Talk On Hoover Commission

Louisville: Arthur S. Fleming, President of Ohio Wesleyan University, addressed the Louisville Credit Men's Association April 11 on "What is Happening to the Recommendations of the Hoover Commission?"

Dr. Fleming has had a distinguished career both in education and in public life and served as a member of the Hoover Commission.

Connecticut Bankruptcy Referee Describes Work

New Haven, Conn.: Referee Saul Berman described the work of a referee in bankruptcy during the March 15 meeting of the New Haven Association of Credit Men at the Union League. Mr. Berman has been referee in bankruptcy for the District of Connecticut for over 23 years.

Syl May's Successor Named

John F. Stack has been appointed credit news editor of the *Daily News Record*, to succeed Sylvester S. May, who retires June 1. Mr. Stack has been associated with the publication since 1935 and has been a member of the credit news department since 1941. He is well-known in New York credit circles.

MEMBERSHIP PROGRESS REPORT May 1, 1949, to March 31, 1950

Class	AA	Net Gain	3-31-50 Members	Percent
Chicago	60	2086	102.96%	
Louisville	24	1059	102.31	
Indianapolis	16	961	101.69	
Class A				
Boston	54	645	109.13%	
Pittsburgh	54	813	107.11	
St. Louis	27	893	103.11	
Class B				
Denver	27	337	108.70%	
San Diego	32	445	107.74	
New Orleans	12	288	104.34	
Class C				
Houston	57	259	128.21%	
Syracuse	28	229	113.93	
Toledo	14	216	104.85	
Class D				
Columbus	16	127	114.41%	
Bridgeport	9	111	108.82	
Green Bay	7	126	105.90	
Class E				
Nashville	26	76	158.33%	
Cape Girardeau	20	62	147.61	
Elmira	8	54	117.39	
Class F				
Quincy	13	40	148.14%	
Erie	8	28	140.00	
Madison	3	18	120.00	

Prominent Credit Men Speak at St. Louis Sales Meeting

St. Louis: The Sales Managers' Bureau of the St. Louis Chamber of Commerce at its weekly meeting Friday, March 24, devoted the entire program to the subject of the sales and credit team. All three speakers were credit executives well-known in both the wholesale and retail fields: A. P. Brigham, credit manager, Pet Milk Sales Corp.; David D. Bolen, credit manager, Famous-Barr Co., former president of the National Retail Credit Association; and National Director Victor C. Eggerding, general credit manager, Gaylor Container Corp.

Expert on Visual Aids Speaks at Binghamton

Binghamton: J. Bruce Buckler, coordinator of visual aids, International Business Machines Corporation, spoke on "Selling Yourself" at the March 29 meeting of the Triple Cities Association of Credit Men.

Hartford: K. W. Tibbitts, vice-president, National Credit Office, Inc., discussed current credit conditions at the March meeting of the Hartford Association of Credit Men. The meeting was held at the Shuttle Meadow Country Club in New Britain, Conn.

Midwest Foreign Trade Meeting Held in Chicago

Chicago: "What of Foreign Trade Today?" was the subject for discussion at a luncheon meeting Wednesday, March 15 at the Midwest Foreign Trade Credit Conference under the auspices of the Foreign Trade Division of the Chicago Association of Credit Men of which E. B. Vickers, Link-Belt Company, is chairman.

B. A. Olerich, treasurer of Abbott Laboratories International Company, was the moderator. Other members of the panel leaders of the discussion were: E. L. Davidson, U. S. Department of Commerce, Chicago; W. F. Haberer, manager export department, Deere and Company, Moline; Harry J. Karch, second vice-president and manager foreign department, the Northern Trust Company of Chicago; John G. Montag, Export manager, Thackson Company, Inc., Milwaukee; W. G. Reagan, manager export traffic division, Nash-Kelvinator Corporation, Kenosha; George P. Wagner, W. A. Alexander and Company, Chicago, and Arthur G. Zimmerly, vice president and western manager, Judson-Sheldon Division, National Carloading Corporation, Chicago.

Refresher Classes In Wichita Feature Local Credit Men

Wichita: A series of three refresher instruction classes, conducted by experts in their line, is being sponsored by the Wichita Association of Credit Men.

Coleman Company, Inc. was host to the February meeting, which was ably led by E. A. Tiede of Standard Oil Company, Wichita. He chose for his subject "The Credit Executive and His Responsibilities." His talk was followed by open discussion and exchange of ideas.

A panel of credit executives, under the leadership of V. D. Everitt, of the McKesson-Robbins Company, conducted the March meeting, which was held at the S. A. Long Company. The subject under discussion was "Financial Statements, Terms, & Collection Procedures".

Past National Officer Speaks at Worcester On Current Credit

Worcester: The Worcester County Association of Credit Men heard a talk March 13 by Osborn W. Bullen, general manager, Lever Brothers, New York. His subject was "Current Credit."

Mr. Bullen, who has been with his company for 30 years, is a past president of the Boston Association and a past National Director and Vice-president.

PROPOSED BY-LAWS OF THE NATIONAL ASSOCIATION OF CREDIT MANAGEMENT

Statement of Purposes and Objects

THE purposes and objects of the NATIONAL ASSOCIATION OF CREDIT MANAGEMENT are to organize into a national body individual credit grantors and associations of credit men; to promote the establishment and maintenance of honesty and fair dealings in credit transactions; to seek the enactment of laws and the amendment of existing laws to assure equality and justice in credit transactions and to promote the nation's commerce through uniform laws; to foster and facilitate the exchange of credit information; to encourage interest in activity toward efficient service in collection of accounts; to encourage training for credit work through colleges and universities, by correspondence courses and other means; to foster and encourage research in the field of credit; to establish and maintain an institute of Credit for providing instruction and training in credit and commercial subjects; to disseminate useful and instructive information with respect to the technique of credit granting; to promote economy and efficiency in the handling of the estates of insolvent, embarrassed or bankrupt debtors; to provide facilities for the investigation and prosecution of fraud; and to perform such other functions as the advancement and protection of commercial credit may require.

ARTICLE I

Offices

The principal office of the Association shall be located in the City of New York, State of New York, or at such other location as may be determined from time to time by the Board of Directors.

ARTICLE II

Members

Section 1. General. Membership in this Association shall be composed of individuals, corporations and copartnerships conducting commercial operations or vocations in the course of which they extend secured or unsecured credit to others who are conducting commercial operations. The foregoing is not intended to bar from membership those who, in the course of their operations, also extend retail or consumer credits.

On this and succeeding pages is presented the draft of the proposed new by-laws of the Association. As can be seen in the heading the new by-laws provide for a change in name for the Association as well as a change in the number of directors. A committee headed by past president E. L. Blaine, Jr., Peoples National Bank of Washington, Seattle, has been working hard for the past several years in the drafting of these new by-laws which have been examined and criticized by the board of directors of every local Association. This final draft represents the consensus of all Association thinking. Delegates to the 54th annual Credit Congress in Los Angeles, California, May 14 through 18, will vote on their adoption during the convention's final session.

Section 2. Members' Representatives. Each individual, corporation or copartnership shall at the time of applying for membership and from time to time thereafter, designate an individual connected with, or employed by, such member as its representative. If such designated representative shall cease to be so connected with, or employed by, such member, the member shall forthwith designate a new representative. If more than one membership in the Association is held by a corporation or copartnership, a representative shall be designated for each such membership.

Section 3. Classification of members.

(a) Members shall be classified as affiliated members or direct members.

(b) Those who are members of an association affiliated with this Association shall be known as affiliated members.

(c) Those whose membership is established directly with this Association and not as a result of membership in an affiliated association shall be known as direct members. No direct member shall, after the adoption of these By-laws, be accepted from areas which are served by local associations affiliated with this Association, unless already holding membership in the local affiliated association or unless such acceptance meets with the approval of the local association.

Section 4. Affiliated Associations.

(a) Any member-owned nonprofit credit association or credit organization, domestic or foreign, the membership of which is composed of individuals, corporations, or copartnerships eligible for membership in this Association, may become affiliated with this Association. A peti-

tion for such affiliation shall be made in writing by such association or organization, and shall be submitted to the Secretary of this Association. Such petition shall set forth the name of its members, officers, directors and employees, a statement of its purposes and objects, and its current financial statement, and shall be accompanied by a copy of its constitution and by-laws, or of its charter or certificate of incorporation and by-laws. Such petition shall set forth the desire of such association or organization to become affiliated with this Association and that the applicant will conform to the policies and rules which may from time to time be adopted by this Association with respect to the operations of affiliated Associations.

(b) (1) Each such petition for affiliation by an association or organization situated within the continental limits of the United States shall be submitted by the Secretary for investigation and report to a committee designated by the Board of Directors of this Association, on which committee shall be the director of this Association assigned to the district from which the petition comes, and a Secretary-Manager from such affiliated association in that district in addition to such others as the Board of Directors may appoint.

(2) Each such petition for affiliation by an association or organization not situated within the continental limits of the United States shall be submitted by the Secretary for investigation and report to such committee as the Board of Directors of this Association may designate.

(3) After consideration of the report of such committee, the Board of Directors shall determine whether such petition shall be granted or refused, and its decision shall be final. If such petition be granted, the Board of Directors shall cause a certificate of affiliation to be issued to the applicant, and the applicant shall be thereafter authorized to use the insignia of this Association and to use the words 'Affiliated with the National Association of Credit Management' on its stationery and publications so long as such affiliation shall continue.

(c) As a condition to the granting or continuing of the privilege of affiliation, each such affiliated association shall agree that its management and activities shall be in accord with the purposes and objects of this Association and in the best interest of the general membership of this Association, and that it will furnish to this Association annually a

certified audited financial statement and semi-annual operating statement, and that its books, activities, records and personnel shall at all times be subject to inspection by such person or persons as may be designated by the Board of Directors of this Association. Such undertaking on the part of the affiliated association shall be evidenced by a written agreement setting forth its obligations and duties as herein enumerated.

(d) Complaints that the policies or activities of any affiliated association are not in accord with the purposes and objects of this Association as set forth in its Certificate of Incorporation or By-laws, or are such as to bring such affiliated association, or this Association, into disrepute may be filed in writing with the Board of Directors of this Association, by any member of this Association, or any other affiliated association, provided that the charge forming the basis of the complaint shall first have been submitted in writing, at least sixty days prior thereto, to the Board of Directors of the affiliated association against which the charge is made. Such complaint shall have attached to it certified copies of correspondence presenting the charge to the Board of Directors of the affiliated association, and the answer made by said Board of Directors unless sixty days have elapsed from the date of transmittal of said complaint with no answer having been given. Upon the filing of any such complaint with the Board of Directors of this Association, written notice setting forth the nature of the charges shall be furnished by the Secretary of this Association to the affiliated association complained of. Thereupon, the matter shall be referred to the National Director assigned to the district in which is located the association against which the complaint has been made. It shall be the duty of that Director to make every effort to settle and adjust the differences, without undue publicity, by consultation with the affiliated association. If, within thirty days after the matter has been referred to the Director, it has not been settled to the satisfaction of the complainant and the complainant still insists upon other action, the Director shall forthwith file a report in writing with the President of this Association and shall furnish a copy of such report to the affiliated association. The President shall, within ten days, appoint a committee of five members to review the matter. On said committee shall be at least two Secretary-Managers from affiliated associations. This committee shall investigate the complaint and shall receive reports from both sides. If such committee finds that the charges are justified but cannot be satisfactorily adjusted through consultation with the affiliated association, it shall within sixty days after its appointment report its findings in writing to the President of this Association and shall furnish a copy of such report to such affiliated association. The President shall thereupon notify such affiliated association of the time and place when such charges will be considered, which shall not be less than

thirty days after the findings of the committee have been furnished to such affiliated association. After a hearing at which the complainant and the affiliated association may present such facts as they may deem relevant, the Board of Directors, by vote of two-thirds of all of the members of the Board of Directors may, if it finds that the charges have been sustained, suspend such affiliated association or if it finds that the charges have not been sustained shall dismiss the same. Such action of the Board of Directors shall be subject to review on petition of the complainant or the affiliated association at the next Annual Meeting of this Association and if the decision of the Board of Directors thereon is sustained by the Annual Meeting, such affiliated association may be expelled, but if such charges are not so sustained, the affiliation of such association shall be restored. The foregoing procedure shall not be used as a means of requiring any affiliated association to provide or render any specific services, even though such services may be in accord with the purposes and objects of this Association as set forth in its certificate of incorporation, unless it is clearly developed at the hearing, provided herein, that a majority of those in the area serviced by the affiliated association, who may be eligible for membership in this Association, desire such services.

Section 5. Direct Members.

(a) Any individual, corporation or partnership desiring to become a direct member of this Association shall file with the Secretary an application in writing which shall be referred by the Secretary to the Membership Committee for consideration, and if such application be approved by the Membership Committee the same shall be referred to the Board of Directors for acceptance or rejection.

(b) Upon presentation to the President of charges in writing, any direct member may be suspended or expelled for cause by vote of two-thirds of all the members of the Board of Directors, exclusive of the accused or its representative if the accused or its representative be a director, provided that thirty days' previous notice in writing shall be given to the member of the charge preferred against him and he shall be afforded an opportunity to be heard.

Section 6. Failure to pay dues. Any direct member or affiliated association which shall fail to pay his or its annual dues within sixty days of the date on which the same became due and payable, may be suspended or stricken from the rolls, if the Board of Directors shall so determine.

ARTICLE III

Meetings of Members

Section 1. Annual meeting. The annual meeting of the members of the Association shall be called the "Credit Congress", and shall be held at such time and place, either within or without the State of New York, as may be determined by the Board of Directors.

Section 2. Notice of Annual meeting. Written notice of the time and place of the annual meeting shall be mailed by the Secretary to each member and affiliated association at least ten days before the date of such meeting, or such notice may be published in the official publication of the Association at least thirty days prior to such meeting.

Section 3. Order of Business at Annual Meeting. Unless otherwise ordered by the Board of Directors, the order of business at the annual meeting shall be as follows:

1. Report of the President
2. Report of the Treasurer
3. Report of the Secretary
4. Report of the Executive Vice President
5. Reports of the Committees
6. Election of directors and officers
7. Miscellaneous business.

In lieu of the presentation of any report to the members at an annual meeting, such reports may be published in the official publication of the association within thirty days prior or thirty days subsequent to such meeting.

Section 4. Special Meetings. Special meetings of the members of the Association shall be called by the President or Secretary when so ordered by the Board of Directors, and shall be called upon petition filed with the Secretary by at least 500 members of the Association and not less than 10 affiliated associations.

Section 5. Notice of Special Meetings. Notice of the time, place and purpose of any such special meeting shall be mailed by the Secretary to each member of the Association entitled to vote, not less than ten nor more than forty days prior to the date of such meeting.

Section 6. Voting.

(a) For the purposes of voting at regular and special meetings, the membership of the Association shall be divided into 12 electoral districts as follows:

- District 1. Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut.
- District 2. New York, New Jersey.
- District 3. Pennsylvania, Maryland, Delaware, Virginia, West Virginia, District of Columbia.
- District 4. Georgia, Florida, North and South Carolina, Alabama.
- District 5. Indiana, Lower Michigan.
- District 6. Illinois, Wisconsin, North Michigan.
- District 7. Kentucky, Tennessee, Ohio.
- District 8. Missouri, Arkansas, Louisiana, Mississippi, Kansas.
- District 9. Iowa, Minnesota, Nebraska, North and South Dakota.
- District 10. Colorado, Utah, Montana, Idaho, Wyoming.
- District 11. Texas, Oklahoma, New Mexico, Arizona.
- District 12. California, Nevada, Oregon, Washington, Hawaii.

The preceding districts shall further be grouped into three major Divisions as follows: The Eastern Division which shall include Districts 1 to 4; the Central Division which shall include Districts

5 to 9 and 11; the Western Division which shall include Districts 10 and 12.

(b) Affiliated associations shall be entitled to designate delegates to any regular or special meeting as follows: One such delegate for each 15 members or fraction thereof not exceeding 300 members; one additional delegate for every 30 members or fraction thereof where the membership exceeds 300 and does not exceed 1200; and one additional delegate for every 60 members or fraction thereof in excess of a membership of 1200. The number of delegates to which each affiliated association is entitled shall be determined by the membership of such affiliated Association as recorded in the office of the Secretary of this Association as of April 30th of each year. Each delegate shall be a member of the affiliated association in good standing, and shall be entitled to cast one vote. Any affiliated association may, by action of its Board of Directors, authorize that the vote, to which it is entitled, shall be cast by proxy by any regular delegate from its own or some other affiliated association other than a salaried officer or salaried employee of this Association or of any affiliated association. A single ballot may be cast for an entire delegation by any delegate so authorized by such delegation in lieu of separate ballots by each such delegate.

(c) Each direct member shall be entitled to cast $\frac{1}{15}$ th of a vote. Direct member may vote in person or by proxy, or, in case of corporate or copartnership members, by their designated representatives. No proxy may be given by any direct member to a member of the Association residing outside of the district in which the direct member resides or has his place of business, nor shall any proxy be given to any salaried officer or salaried employee of this Association or of any affiliated association.

(d) A quorum for the transaction of business at all meetings of the Association shall require the presence, in person or by proxy or represented by delegates, of not less than 500 members of which not less than one quarter shall come from or represent each of the three Divisions and such 500 members of which come from or represent at least five affiliated associations in each of the three Divisions. In the absence of a quorum, a majority of the members present may adjourn the meeting from time to time. No notice of any adjourned meeting need be given.

ARTICLE IV

Dues

Section 1. Affiliated Associations. Each affiliated association shall pay to this Association dues at the rate of \$7.50 per annum for each member of such affiliated association. Such dues shall be payable on a pro rata basis on the first of each month, and shall be based on the membership of the affiliated association as recorded in the office of the Secretary of this Association on the date on which each instalment is payable.

Section 2. Direct Members. The dues

of direct members of the Association shall be the sum of \$35.00 and shall be payable upon admission to membership and annually thereafter in advance.

ARTICLE V

Board of Directors

Section 1. Powers and Duties. The Board of Directors shall have general charge, management and control of the funds, property and activities of the Association; shall authorize and control all expenditures; shall pass upon all applications for membership; shall, subject to Article II, Section 4(d), pass upon all complaints against direct members or affiliated associations; shall, subject to Article II, Section 4(d), have power to suspend and expel any direct member or affiliated association; shall appoint, or authorize the President to appoint, all members of standing and and special committees, and to determine what committees shall be appointed; shall approve, disapprove or amend the budget to be submitted by the Treasurer as provided in Article VI, Section 10, of these By-Laws.

Section 2. Number. The Board of Directors shall consist of 31 persons all of whom shall be direct or affiliated members, or designated representatives of such members of the Association in good standing, and shall include the President and three Vice Presidents of equal rank, elected to represent the three major Divisions of this Association. The remaining 27 directors shall be chosen to represent the 12 electoral districts specified in Article III, Section 6, of these By-Laws, provided, however, that there shall be at least one but not more than three such directors chosen for each of said districts, and that not over 50% of the entire membership of the Board of Directors may come from any one Division.

Section 3. Election and Term of Office. One-third of the total number of directors shall be elected annually by ballot, and each director shall hold office for a term of three years following the date of his election and until his successor is elected, but no director shall be eligible for reelection immediately following the completion of a full term of office; provided, however, that nothing herein contained shall be construed to shorten the term of office of any director elected prior to the adoption of these by-laws and provided further that of the three additional directors to be elected for the Association year of 1951-52, one shall be elected for a term of three years, one for a term of two years, and one for a term of one year.

Section 4. Vacancies. Any vacancy in the Board of Directors may be filled by majority vote of the directors then in office not later than the next regular or special meeting thereof. Any person so elected to fill a vacancy shall serve until the next Annual Meeting of the Association at which time the vacancy shall be filled in the regular manner provided in these By-Laws.

Section 5. Compensation. No compen-

sation shall be paid to any member of the Board of Directors but he may be reimbursed for actual expenses incurred by him on behalf of and at the request of this Association.

Section 6. Place of Meetings. Meetings of the Board of Directors may be held in such place, within or without the State of New York, as the Board may from time to time determine.

Section 7. Annual Meeting. The annual meeting of the Board of Directors shall be held immediately following the annual meeting of the members of the Association.

Section 8. Regular Meetings. The Board of Directors shall hold at least one additional regular meeting during the course of each Association year, at such time and place as may be determined at the last preceding meeting of the Board of Directors.

Section 9. Special Meetings. Special meetings of the Board of Directors may be held whenever called by the President or at the request of a majority of the directors.

Section 10. Notice of Special Meetings. Notice of each special meeting shall be given by the Secretary to each director, either by mail, personally, or by telephone, at least ten days before the meeting is to be held.

Section 11. Quorum. A majority of the directors in office at the time of any annual, regular or special meeting of the Board of Directors shall constitute a quorum for the transaction of business. The act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors. In the absence of a quorum, a majority of the directors present may adjourn the meeting from time to time. No notice of any adjourned meeting need be given.

Section 12. Executive Committee. An Executive Committee, consisting of the President, the three Divisional Vice Presidents and one other member of the Board of Directors, shall be appointed by the Board of Directors at its annual meeting, or the power to appoint such Executive Committee may be delegated by the Board of Directors to the President. The Executive Committee shall, during the intervals between regular meetings of the Board of Directors, have and may exercise, all of the powers of the Board of Directors and the management of the business and affairs of the Association except where specific direction shall have been given by the Board of Directors or with respect to any matter upon which the Board of Directors has acted. Meetings of the Executive Committee may be called by the President at any time. Actions of the Executive Committee shall be subject to ratification by the Board of Directors at its next regular or special meeting.

Section 13. Proxies. The Board of Directors shall, at its annual meeting, designate three proxies who shall attend and vote at any meetings of stockholders of any corporation in which the Association may hold stock, and at any such meeting such proxies shall possess and

may exercise any and all rights and powers incident to the ownership of the said stock, which as the owner thereof, the Association might have possessed and exercised if present. The Board of Directors may instruct such proxies as to the persons for whom their votes shall be cast at any election of Directors of any such corporation and the said proxies shall be bound by such instructions.

Section 14. Honorary Advisory Board. Each President of this Association, on his retirement from office, shall become a member for three years of an Honorary Advisory Board. This Board shall consist of the last three retired Presidents. The members of the Honorary Advisory Board shall be expected to attend regular meetings of the Board of Directors; they may initiate ideas and suggestions for the management and control of the Association, but shall not offer motions and resolutions or vote on questions at Board Meetings.

ARTICLE VI

Officers

Section 1. Elected Officers. The elected officers of this Association shall be a President and three Vice Presidents of equal rank, all of whom shall be designated representatives of affiliated members or of direct members or shall be direct members of the Association, and shall be elected by the members of the Association at the annual meeting of the members for a term of one year next ensuing their election and until their successors have been elected.

Section 2. Appointed Officers. In addition to the elected officers, there shall be a Secretary, a Treasurer, one or more Assistant Secretaries and Assistant Treasurers, and an Executive Vice President and Manager, all of whom shall be appointed by the Board of Directors, and shall serve for such period as the Board of Directors may determine. The offices of Secretary, Treasurer and Executive Vice President and Manager may be held by the same person.

Section 3. Vacancy. A vacancy in any elected office may be filled by the Board of Directors for the unexpired portion of the term.

Section 4. President. The President shall be the Chief Executive Officer of the Association, and shall have general supervision of the business affairs of the Association and over its several officers, subject, however, to the control of the Board of Directors. He shall preside at all meetings of the members of the Association and of the Board of Directors and of the Executive Committee, and shall be an ex-officio member of all standing and special committees, and in general shall perform all duties incident to the office of Chief Executive Officer and such duties as may from time to time be assigned to him by the Board of Directors.

Section 5. Vice Presidents. The Vice Presidents of equal rank shall perform such duties as may be from time to time assigned to them by the Board of Directors or by the President.

Section 6. Executive Vice President and Manager. The Executive Vice President and Manager, subject to the direction of the President and the Board of Directors, shall have general control of the management and operation of the business and affairs of the Association, and shall perform such duties as may from time to time be assigned to him by the Board of Directors or by the President.

Section 7. Secretary. The Secretary shall keep the minutes of the meetings of the members of the Association and of all the meetings of the Board of Directors. He shall see that all notices are duly given in accordance with the provisions of these by-laws, or as required by law. He shall be the custodian of the records and of the seal of the Association and shall see that it is affixed to all documents the execution of which, on behalf of the Association, under its seal, is duly authorized in accordance with the provisions of these by-laws. He shall see that the books, reports, statements, certificates and all other documents and records required by law are properly kept and filed in his office. He shall perform all duties incident to the office of Secretary and such other duties as may be assigned to him from time to time by the Board of Directors.

Section 8. Assistant Secretaries. The Assistant Secretary shall perform such duties as may be from time to time assigned to them by the Board of Directors or by the Secretary.

Section 9. Treasurer. The Treasurer shall be the custodian of all funds of the Association. When authorized by the Board of Directors he shall have the power to sign or endorse or transfer, negotiate or discount, in the name of the Association, any notes or other negotiable instruments, and, when authorized by the Board of Directors, to sign all checks and orders for the payment of money in the name of the Association. He shall keep records of receipts and disbursements and such other books of account as may be appropriate or desirable for keeping a full, accurate and complete record of the finances of the Association. He shall open and maintain such bank accounts in the name of the Association as may be authorized by the Board of Directors and shall deposit therein all funds of the Association. He shall deposit with the Association a fidelity bond in such amount, and with such sureties, as the Board of Directors may approve. He shall be responsible for the proper bonding of all employees of the Association who handle Association moneys. He shall cause his accounts to be audited annually by an independent certified public accountant designated by the Board of Directors. He shall prepare an annual report of the Association's finances, which, with the report of the auditor, shall be submitted at the annual meeting of the Board of Directors. This report shall include an itemized budget showing the anticipated receipts and disbursements of the Association for the ensuing year. He shall submit to the Board of Directors a quarterly financial

report when requested by the Board to do so.

Section 10. Assistant Treasurers. The Assistant Treasurers shall perform such duties as may from time to time be assigned to them by the Board of Directors or by the Treasurer.

Section 11. Compensation. No compensation shall be paid to any officer except the Executive Vice President and Manager, Treasurer, the Secretary, the Assistant Treasurers and the Assistant Secretaries. Officers may be reimbursed for actual expenses incurred on behalf of and at the request of this Association.

ARTICLE VII

Indemnity

Each person, and his heirs, executors and administrators, who is, or has been, a director or officer of the Association, shall be indemnified by the Association against expenses reasonably incurred by him or them in connection with any action, suit or proceeding to which he may be a party, or with which he shall be threatened by reason of his being, or having been, a director or officer of the Association, except in relation to matters as to which he shall finally be adjudged in such action, suit or proceedings to have been derelict in the performance of his duties as such officer or director. In case such action, suit or proceeding shall be settled before final adjudication the matter of indemnification shall be determined by this Association. The foregoing right of indemnification shall be in addition to any other rights to which any such director or officer may be entitled as a matter of law.

ARTICLE VIII

Nominations

Section 1. Members. There shall be a Committee on Nominations consisting of 29 representatives of affiliated members or of direct members or direct members, consisting of the following: The last retired President of the Association in order of availability who shall serve as Chairman of such Committee; the next four most recently retired Presidents of the Association in order of their availability; one member and one alternate from each of the 12 electoral districts to be designated by the President, with the approval of the Executive Committee, and one member and one alternate from each of the 12 electoral districts to be designated by the Councillors within such districts, but such alternates shall serve only in case of the absence or inability of the member. The names of the persons constituting the Committee on Nominations shall be announced in the official publication of the Association during the month preceding the annual meeting of members.

Section 2. Duties: The Committee on Nominations shall recommend to the annual meeting the name of one candidate for President, one for Vice President from the Eastern Division, one for Vice President from the Central Division, and one for Vice President from the

Western Division, and for 9 directors, and for the filling of any existing vacancies among the officers or directors of the Association.

Section 3. Notice of Nomination. The names of the persons recommended by the Committee on Nominations for election as directors and officers shall be conspicuously posted not later than 12:00 o'clock noon on the day before the election, at the Association headquarters at the place of the annual meeting.

Section 4. Other Nominations for Officers and Directors. Additional nominations for officers and directors may be made by petition to the Secretary of the Nominating Committee or in his absence, to the Secretary of the Association, setting forth the name of the candidate and his qualifications and signed in person or by proxy by members of the Association in accordance with the following regulations:

A petition for the nomination of a director shall be signed by at least 25 members representing not less than three affiliated associations in the District in which the candidate resides or has his office and place of business. A petition for the nomination of a divisional vice president shall be signed by at least 35 members representing not less than five affiliated associations in the Division in which the candidate resides or has his office and place of business. A petition for the nomination of the President shall be signed by at least 50 members representing not less than two affiliated associations from each of two Divisions of the Association.

No such petition shall be filed subsequent to 10 A.M. on the day of election. In the event of a contest for election to any office the right to vote for a candidate for such contested office shall be confined to the delegates from associations located in the District (in the case of a director), or in the Division (in the case of a vice president) which the candidate is to serve.

ARTICLE IX

Councillors

Section 1. Each affiliated association shall select a Councillor and where there are fifteen or more direct members in a state, a Councillor shall be appointed from their number by the Secretary of this Association, to represent them.

Section 2. Councillors shall represent their affiliated associations or direct members in the organizing of regional Councils for the purpose of arranging, planning and conducting regional conferences. The Councillors shall study closely the affairs, plans and operations of the associations they represent, the problems of their districts in credit matters and assist in organizing the Committee on nominations of each Annual Meeting. The Councillors shall be the direct tie of influence of the various departments of this Association and the affiliated associations or direct members they represent.

ARTICLE X

Committees

Section 1. Standing Committees. Until such time as the Board of Directors decides otherwise, the standing committees of the Association shall be as follows:

Adjustment

Collection

Credit Education

Interchange and Trade Groups, or instead a Board of Governors serving the same purpose as a committee and appointed or elected in the method or manner directed by the Board of Directors.

Foreign Credit

Fraud Prevention

Insurance

Legislation

Membership

Publications

Section 2. Appointment of Standing Committees. When authorized by the Board all standing committees shall be appointed by the President as soon as possible after the annual meeting, and the members of such committees shall continue in office until the next annual meeting or until their successors are appointed. Without restricting the discretion of the President in the selection of members of the committees, he may make appointments to the various committees in such manner as to maintain continuity of committee knowledge and experience by staggering appointments so that the entire personnel of a committee will not change during any one year.

Section 3. Special Committees. The Board of Directors may appoint from time to time such special committees as in its judgment shall be necessary or desirable.

Section 4. Rules Governing Committees. All committees shall be governed in their activities by such rules and regulations as may from time to time be established by the Board of Directors.

Section 5. Reports. Each standing and special committee shall submit a report to the Board of Directors at its annual meeting and at such other times as the Board of Directors may request. Any such report may, at the discretion of the Board of Directors be published in the official publication of the Association or distributed in printed form at the annual meeting in lieu of being presented personally to the directors or at such meeting.

ARTICLE XI

Checks, Contracts, Drafts, Notes, Bank Accounts, etc.

Section 1. Signature of Checks, etc. All checks, drafts, or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Association, shall be signed by such officer or officers, agent or agents of the Association, and in such manner, as shall from time to time be determined by resolution of the Board of Directors.

Section 2. Contracts. Subject to such limitations as may be prescribed by the Board of Directors or the Executive

Committee, contracts may be executed on behalf of the Association by the President or by the Executive Vice President and Manager, and may be attested and the corporate seal affixed thereto by the Secretary or an Assistant Secretary. The Board of Directors or the Executive Committee may authorize the execution of contracts by such other officers, agents and employees as may be designated by them from time to time and with such limitations and restrictions as the authorization may prescribe.

Section 3. Depositories. All funds of the Association shall be deposited from time to time to the credit of the Association in such banks, trust companies or other depositories as the Board of Directors may select, or as may be selected by any officer or officers of the Association to whom such powers may from time to time be delegated by the Board of Directors, and for the purpose of such deposit, checks, drafts or other orders for the payment of money, which are payable to the order of the Association, may be endorsed by any officer to whom the Board of Directors shall delegate such power.

Section 4. Bonds. All officers and employees of the Association entrusted with the custody or possession of any funds of the Association shall give bond in such amount and with such sureties as the Board of Directors may determine. The premium on any such bond shall be paid by the Association.

ARTICLE XII

Fiscal Year

The fiscal year of the Association shall be from April 1st to March 31st.

ARTICLE XIII

Seal

The Board of Directors shall provide a corporate seal which shall be circular in form and shall bear the name of the Association and the year of its incorporation.

ARTICLE XIV

Amendments

Section 1. These by-laws may be amended or repealed at any regular meeting of the members of the Association, or at any special meeting of the members of the Association called for that purpose, by vote of two-thirds of the members present.

Section 2. Any proposal for the amendment or repeal of these by-laws shall be made in writing by the Board of Directors or by 3 affiliated associations or by 100 direct or affiliated members, and shall be filed in the office of the Secretary, and shall be published in the official publication of the Association for at least two months immediately preceding the annual or special meeting at which the same are to be considered, and notice of such proposed amendment or repeal shall be included in the notice of any such meeting.